

Comprehensive Annual Financial Report

City of Portsmouth, Virginia School Board
A Component Unit of the City of Portsmouth, Virginia

For the Fiscal Year Ended June 30, 2009

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**City of Portsmouth, Virginia School Board
Component Unit of the City of Portsmouth, Virginia**

For the Fiscal Year Ended June 30, 2009

Prepared by the Department of Finance

**Meera Phaltankar, CPA
Director of Finance**

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**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA
June 30, 2009**

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COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA
June 30, 2009**

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Department of Finance

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November 17, 2009

The Honorable Members of the School Board
and the Citizens of the City of Portsmouth, Virginia:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Portsmouth, Virginia School Board (PPS) for the fiscal year ended June 30, 2009. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of PPS. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Governmental Activities and various funds of the School Board. All disclosures necessary to enable the reader to gain an understanding of the School Board's financial activities have been included.

For financial reporting PPS is a component unit of the City of Portsmouth, Virginia (the City), and, accordingly, the financial position and results of operations of PPS are also reflected in the financial statements included in the City's CAFR. An annual audit of the books of accounts, financial records, and transactions of all the departments of the school division has been performed by Cherry, Bekaert & Holland, L.L.P., Certified Public Accountants. The auditors' reports which include their unqualified opinion on the basic financial statements of the school division are included herein.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of Management Discussions and Analysis (MD&A). This Transmittal Letter is designed to complement MD&A and should be read in conjunction with it.

The School Board of the City of Portsmouth is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, if any, and auditors' reports, are included in the City of Portsmouth's Comprehensive Annual Financial report.

The Governmental Accounting Standards Board has released Statement No. 54 in March 2009, "Fund Balance Reporting and Governmental Fund Type Definitions" to address issues related to how fund balances are reported. The requirements of the related statement are effective for the fiscal year ending June 30, 2011.

The Reporting Entity and Organization

Founded in 1752, the City of Portsmouth, Virginia is an urban core city situated at the center of Hampton Roads, the country's 33rd largest Metropolitan Statistical Area with over 1.5 million residents. The City encompasses 29.9 square miles of real property of which 54% is tax exempt due in large part to military installations.

In accordance with the requirements of the Governmental Accounting Standards (GASB), the financial reporting entity consists of primary government (the City of Portsmouth), and its component units, which are legally separate organizations. The School Board is considered a component unit of the City and the financial position and results of operation of the School Board are also presented in the City's Comprehensive Annual Financial Report. The School Board has no component units for financial reporting purposes. The School Board is fiscally dependent i.e. it does not have taxing and borrowing authority. It derives most of its funding from the City and the Commonwealth of Virginia allocations.

The School Board's responsibility is the education of elementary and secondary students within the city. The nine-member School Board is elected by the Portsmouth citizens and serves a four year term. The School Board is entrusted with the responsibility of hiring the school division's superintendent who is the executive and administrative head of the public school division. The City Council approves the School Board's operating budget, levies the necessary taxes to finance their portion of the operations, and approves the borrowing of money and issuance of bonds when necessary. The City Council is prohibited from exercising any control over specific expenditures within the operating budget of the School Board. However, City Council may exercise control in total by major categories (e.g. Instruction; Administration, Attendance and Health; Pupil Transportation; Operations and Maintenance) as prescribed by the Code of Virginia, as amended.

Economic Condition and Outlook

Old Dominion University's Regional Studies Institute recently published The State of Region - Hampton Roads 2009. Job losses, depressed regional sales, falling hotel revenue, lower taxable sales were hobbled by declining household wealth, tighter credit and increased household savings. The unemployment rate increased to 7% in June 2009 from 4.9% in the same period last year. Home prices have fallen. The decline is not enough to reduce inventory significantly. Forecasters estimated that the net worth of Hampton Roads households contracted by almost 17%, i.e. about \$47 billion. The decline in our region's economic growth rate will be tempered by the large military presence in Hampton Roads and increased funding for U.S. Department of Defense and military operations.

According to 2008 statistics, Portsmouth has a population of 100,577 of which 50.6% is African-American, 45.8% is white, and 3.6% other. PPS serves 14,331 students in 14 elementary schools (12 are Title I schools), 3 middle schools, and 3 high schools. Based on the 2008-09 Enrollment by School & Ethnicity, prepared by the PPS Office of Research and Evaluation, 74% of our student population is African-American. Division wide, 14% of all students are identified as having special needs. Dropouts per 1000 students prior to the 9th grade for Portsmouth were 10 compared to 5 statewide (Portsmouth Comprehensive Prevention Plan 1999-2005). In the 2008-09 school year, there was a total of 3,978 suspensions school wide.

Major Initiatives

PPS operates 2 preschools, 14 elementary schools, 3 middle and 3 high schools, and 3 specialty centers with an enrollment count of 14,331 (excluding pre-k, DAC and SECEP). There are approximately 2,400 employees.

Student Achievement: PPS Success Story

•All Portsmouth public schools met the SOL accreditation standards. Therefore, all Portsmouth public schools are fully accredited by the Board of Education for the Commonwealth of Virginia. This is the first time since inception of the program that all schools are fully accredited.

•Eight schools obtained an English pass rate of 90 percent or better: Churchland Elementary, Churchland Primary and Intermediate, Douglass Park Elementary, Simonsdale Elementary, Hodges Manor Elementary, James Hurst Elementary, Olive Branch Elementary, and Churchland High.

•Seven schools obtained a mathematics pass rate of 90 percent or better: Churchland Elementary, Churchland Primary and Intermediate, Hodges Manor Elementary, James Hurst Elementary, Olive Branch Elementary, Westhaven Elementary, and Churchland High.

•Seven schools obtained a social studies/history pass rate of 90 percent or better: Churchland Elementary,

Churchland Primary and Intermediate, Hodges Manor Elementary, James Hurst Elementary, Simonsdale Elementary, Churchland High, and I. C. Norcom High.

•Five schools obtained a science pass rate of 90 percent or better: Churchland Elementary, Churchland Primary and Intermediate, Hodges Manor Elementary, Olive Branch Elementary, and Westhaven Elementary.

•Three schools achieved a pass rate of 90 percent across all subjects: Churchland Elementary, Churchland Primary and Intermediate, and Hodges Manor Elementary.

•99.5 percent of the middle-school students passed Algebra I: Churchland, Cradock, and William E. Waters.

•The school division met the federal benchmarks for the No Child Left Behind mandate.

•Lakeview Elementary School received the Board of Education's Rising Star Award.

•Five schools received the Board of Education's Competence to Excellence Award: Douglass Park Elementary, Hodges Manor Elementary, James Hurst Elementary, Olive Branch Elementary, and Churchland High.

•Churchland Primary and Intermediate and Simonsdale Elementary schools received the Board of Education's Excellence Award.

•Churchland Elementary received the Governor's Award for Educational Excellence.

•Churchland Primary and Intermediate earned the distinction of being named a Title I Distinguished School for the 2008-09 academic year.

•1,443 students obtained a perfect score on the SOL tests, reflecting a 10 percent increase from the previous school year.

AC = 13 Academic + Career after High School

AC=13 is designed for juniors and seniors wishing to specialize in a career concentration and preparation by attending a high school that offers the career pathway. Emergency Medical Services (EMS), Welding, Horticulture, Culinary Arts and Banking Center are new courses offered. EMS and Welding are dual enrollment courses through Tidewater Community College. EMS covers paramedics and EMT response, Culinary Arts covers banquet planning, chef/cook, and dietetic aid taught in a new commercial kitchen facility. Banking Center teaches banking services.

Science – Technology – Engineering – Mathematics (STEM) Pathways

Portsmouth Public School's STEM Pathways Initiative is designed to enhance science and mathematics content through appropriate technology and engineering experience. STEM is now fully implemented at Elementary, Middle and High school level.

Elementary School Starbase Victory includes:

1. Spacebase Atlas – Spatial Literacy
2. Envirobase Aquarius – Biotechnology
3. Aerobase Atlantis – Modeling and Simulation skills

Middle School Discoverybase includes:

1. Biobase Inquiry – Biotechnology and Geospatial Technology with forensic and modeling focus respectively
2. Robobase Number 5 – Robotics with gaming and programming focus

High School STEM includes advanced levels of:

1. Discrete Mathematics
2. Biotechnology Foundations
3. Geospatial Technology

4. Modeling and Simulation – in process

STEM has partnered with several institutions of higher learning, private sector and government agencies, internal departments and the City of Portsmouth. STEM Pathways gives students a practical experience that goes above and beyond standard definitions of 'hands-on'. The goal is for students to think outside the box. Besides helping students, this program focuses on staff and professional development for instructional staff. STEM started various summer camps, that include – Lego Robotics, Oyster Gardening, Ocean Quest, and Sea Perch.

Special Education

'Say Yes to College' is a co-operative program under the direction of Technical Training Assistance Centers (T/Tac) at William and Mary and Old Dominion University. This program motivates and exposes students with disabilities to college environment.

Human Resources, Payroll and Benefits

The Offices of Human Resources and Finance successfully implemented Munis Human Resources and Payroll module. Payroll is now processed biweekly based on pay as you earn rather than old process of semimonthly payroll based on exception. We also implemented time and attendance software, which uses hand geometry. Advancing with Munis modules, Human Resources implemented a new on-line application process. Human Resources now accepts on-line job applications for all positions. A kiosk with internet capability is available in the Human Resources Office for applicant's usage. The Benefits office was successful in completing paperless open enrollment applications of Health and Dental insurance using online Employee Self Serve instead of paper applications.

Financial Information

Management is responsible for establishing and maintaining an internal control structure. It is designed to provide reasonable, but not absolute, assurance. Reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits require estimates and judgments by management. A component of internal control structure should increase the probability that material errors or fraud that occur are detected in a timely manner by employees in the normal course of performing their duties.

PPS management maintains budgetary controls to ensure compliance with the annual appropriated budget adopted by the School Board and City Council. The school division maintains an encumbrance accounting system as a method of accomplishing budgetary control. Outstanding encumbrances or open purchase orders at the end of the fiscal year are carried forward to the next fiscal year. By the end of the second fiscal year, outstanding encumbrances or open purchase orders are liquidated and funds are transferred to the City. The School Board has adopted budgets for the following funds – General, Text Books, Grants, Food Services, Capital Projects, Printshop, and Risk Management. The School Board and City Council adopt School Operating Budget by March and April respectively for the upcoming fiscal year.

PPS pays the City a yearly fee to manage the School Board's risk management program. The School Board is "fully insured" for auto liability and for general liability through the Virginia School Board Association. For Workers Compensation, The School Board carries an excess policy, with a self-insured retention of \$450,000. Workers Compensation claims are handled by PMA, a third party claims administrator.

The City Treasurer is the custodian of pooled cash and temporary investments, funds held for student activity accounts and related investments except funds under Escrow agreement for the First College capital project. Our Financial Institution keeps minimum required balance in a general depository account and invests the excess in Institutional Money Market Fund. The investments are in compliance with industry-standard requirements for money market funds for quality, maturity and diversification on investments. Interest earned is allocated among all the pooled cash funds based on General Ledger cash balances at the end of the month.

Awards

Pinnacle Award

The Association of School Business Officials International awarded Ms. Nita Mensia-Joseph, Director of Operations, the Pinnacle award for a project titled 'Applying Quality Principles to Reduce Accidents and Workman's Compensation Costs for Operations'. The project has produced remarkable results. Since the program's inception, there have been 65% fewer loss-time accidents in Portsmouth Public Schools; costs for workers compensation claims have also decreased by 43%; and beginning with the program's second year, non-loss-time accidents have been reduced by 37%.

Certificate of Excellence

The Association of School Business Officials International (ASBO) awarded PPS its Certificate of Excellence in Financial Reporting for the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. The Certificate of Excellence is valid for a period of one year only.

The Financial Reporting Award was designed by ASBO International to enable school business officials to achieve a high standard of financial reporting. The award is only conferred to school systems that have met or exceeded the standards of the program. Since its inception in 1972, the program has gained the distinction of being a prestigious national award recognized by accounting professionals, underwriters, securities analysts, bond rating agencies, state and federal agencies, and education, teacher, and citizen groups.

The Association of School Business Officials International, founded in 1910, is a professional association, which provides programs and services to promote the highest standards of school business management practices, professional growth, and the effective use of educational resources.

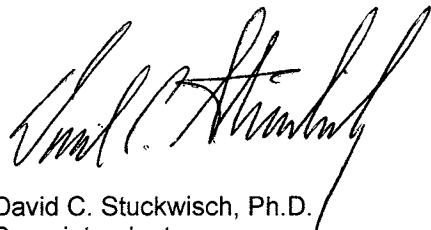
Certificate of Achievement

The Government Finance Officers Association (GFOA) awarded PPS its Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. The certificate of achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. The Certificate of Achievement is valid for a period of one year only.

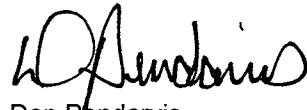
Acknowledgements

We would like to express our sincere gratitude to the personnel in the Department of Finance who participated in the preparation of this report and to our independent auditors, Cherry, Bekaert & Holland, L.L.P. Appreciation is also extended to the School Board and the administration, whose continuing support is vital to the financial health of the school system.

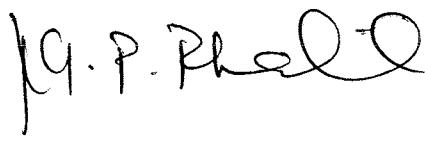
Respectfully submitted,



David C. Stuckwisch, Ph.D.
Superintendent



Dan Pendarvis
Assistant Superintendent for Budget and Planning



Meera Phaltankar, CPA
Director of Finance

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**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA
June 30, 2009**

Members of the School Board and School Board Officials

School Board

Mr. James E. Bridgeford Chairman
Mrs. Linda A. Ridenour Vice Chairman
Dr. Elizabeth Daniels
Mr. James M. Hewitt, IV
Mr. Edward P. "Ned" McCabe
Mr. B. Keith Nance, Sr.
Mrs. Jean H. Shackelford
Dr. Mark M. Whitaker
Mrs. Costella Williams

Officials

Dr. David C. Stuckwisch Superintendent
Dr. Patricia H. Fisher Assistant Superintendent for Curriculum and Instruction
Mr. Dan Pendarvis Assistant Superintendent for Budget and Planning
Mrs. Meera Phaltankar, CPA Director of Finance
Mrs. Kathy L. Chambliss Clerk of the School Board
Mrs. Laura Chandler Deputy Clerk of the School Board
Mr. James L. Williams City Treasurer

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL



This Certificate of Excellence in Financial Reporting
is presented to

City of Portsmouth, Virginia School Board

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2008
upon recommendation of the Association's Panel of Review
which has judged that the Report substantially conforms
to principles and standards of ASBO's Certificate of Excellence Program

Angela Petunian
President

John D. Musso
Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Portsmouth, Virginia
School Board**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



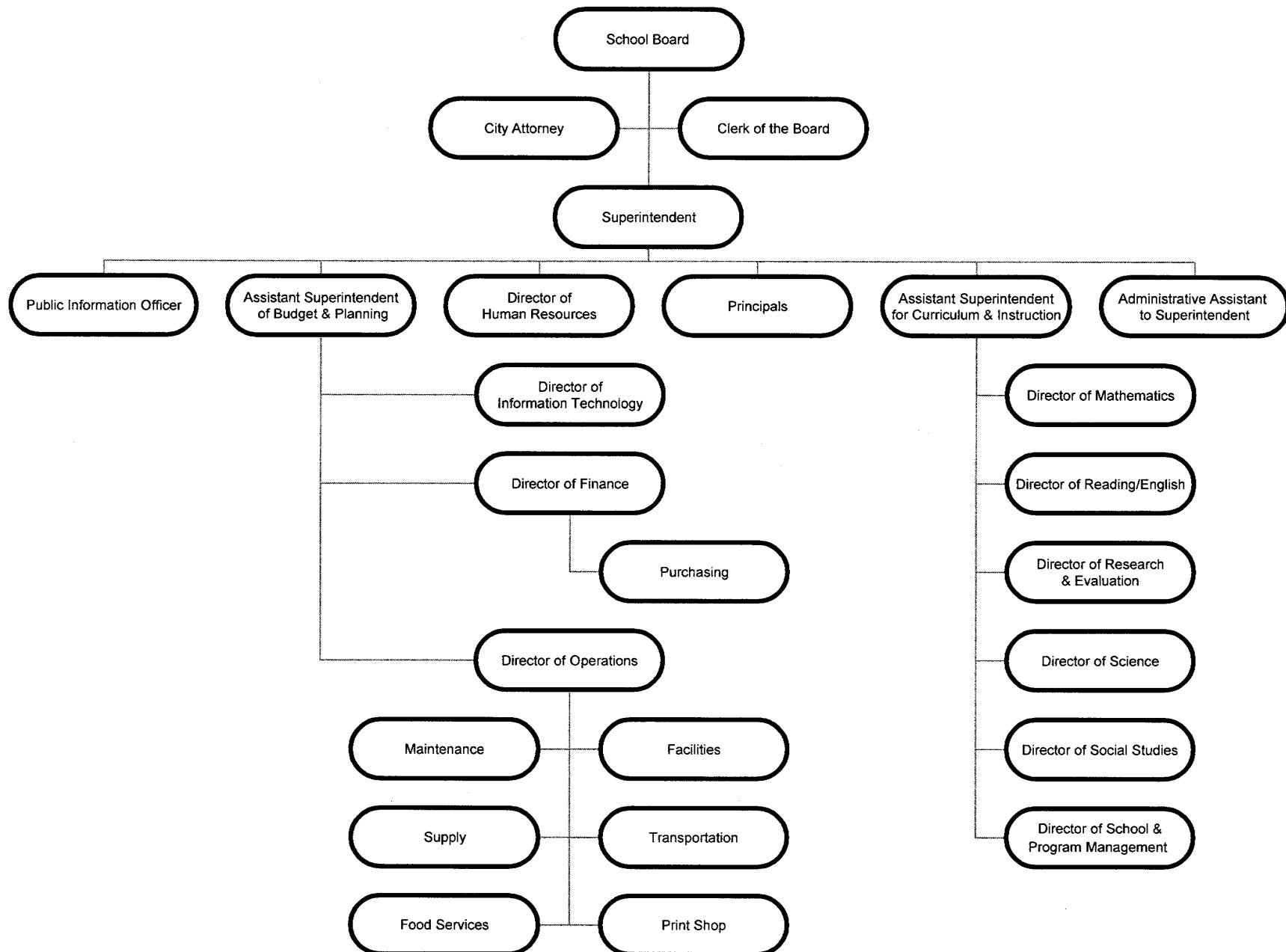
A handwritten signature in black ink that reads "Michael R. Karp".

President

A handwritten signature in black ink that reads "Jeffrey P. Evans".

Executive Director

City of Portsmouth, Virginia School Board
Component Unit of the City of Portsmouth, Virginia
Organizational Chart (June 30, 2009)



FINANCIAL SECTION



Independent Auditors' Report

Members of the School Board
City of Portsmouth, Virginia

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Portsmouth, Virginia School Board (School Board), a component unit of the City of Portsmouth, Virginia, as of and for the year ended June 30, 2009 which collectively comprise the School Board's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the School Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Portsmouth, Virginia School Board as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2009, on our consideration of the City of Portsmouth, Virginia School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 through 11, the budgetary comparison schedules of the general fund and major annually budgeted special revenue funds, and the other required supplementary information on pages 38 through 42 listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Portsmouth, Virginia School Board's basic financial statements. The introductory section, other supplementary information and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cherry, Bekaert & Holland, L.L.P.

Virginia Beach, Virginia
November 17, 2009

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CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

This section of the City of Portsmouth, Virginia School Board's (the School Board) annual financial report presents our discussion and analysis of the School Board's financial performance during the fiscal year ended June 30, 2009. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights for Fiscal Year 2009

PPS' financial status, as reflected in total net assets, increased 11% to \$77.8 million. Of that \$.8 million of the net assets are restricted to ongoing capital projects that consist primarily of various school renovation projects.

On the statement of net assets – governmental activities, total liabilities at June 30, 2009 totaled \$30.2 million. The bulk of the current liabilities of \$15.5 million are related to accrued payroll and accounts payable, while the majority of the non-current liabilities relate to compensated absences and capital leases.

On the statement of revenues, expenditures, and changes in fund balances – governmental funds, the Food Services Fund experienced a decrease in fund balance and the Grants Fund experienced an increase in fund balance. The decline in the Food Services Fund was due to increasing costs for materials and supplies. The increase in the Grants Fund was due to receiving more federal grants. The General Fund has \$154.2 million in revenues and \$143.8 million in expenditures. The General Fund's fund balance decreased from \$5.8 million to \$4.4 million. This decrease was due to a decrease in the number of year end encumbrances.

Total intergovernmental revenue was \$177.8 million. Of that, \$49.9 million was from the City of Portsmouth (the City), \$109.4 million was state aid from the Commonwealth of Virginia, and \$18.6 million was from the federal government. Interest and other charges were \$1.7 million including, \$0.4 million in interest, and \$1.3 million in charges for services.

Operational Highlights for Fiscal Year 2009

- Teachers and other personnel paid on the teacher salary schedule received an average 4% increase in pay. All other personnel received a 3.8% increase, effective July 1, 2008.
- Capital improvements completed during the year were – Victory Elementary School, Wilson Childcare Center, Churchland High School Greenhouse & Potting Shed, Wilson Culinary Arts Center, and the Churchland Elementary tile project.
- Park View Elementary School Phase I – School Building was completed during the year and Phase II began. Roofing projects at Churchland High School, Cradock Middle School, S.H. Clarke, and Douglass Park Elementary School continued during the year. Renovations and an addition continued at Churchland Primary School and parking lot and gymnasium construction at James Hurst Elementary School.
- The school district aggressively seeks competitive grant funds to further its mission. During fiscal year 2008-09, PPS was awarded the Safe Route to Schools Grant from VDOT. The William and Mary Leadership Grant was awarded by VDOE. PPS also received from USDOE the Response to Intervention Funding for Progress and Monitoring Grant.

Overview of the Financial Statements

This Comprehensive Annual Financial Report has six component sections: *management's discussion and analysis* (this section), *the basic financial statements*, *other supplementary information*, an optional section that presents *combining statements* for internal service funds, a *statistical section*, and a *compliance section*.

There are two types of financial statement presentations, one for the School Board as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the School Board's overall financial status on an economic resource focus. The remaining statements are fund financial statements that focus on a current financial resource basis and individual parts of the School Board's operations in more detail than the government-wide financial statements.

Also included in the financial statements are *notes* that explain some of the information in the financial statements and provide more detailed data. Following the statements is a section of *required supplementary information* that further explains and supports the information in the financial statements.

The chart on the following page summarizes the major features of the School Board's financial statements and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of the School Board's Government-Wide and Fund Financial Statements:

| | Government-Wide Statements | Fund Statements | | |
|--|--|--|--|--|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire school system | The activities of the school system that are not proprietary or fiduciary, such as General, Text Books, Grants, Food Services, and Capital Projects Funds | Activities the school system operates similar to private businesses, such as the Print Shop Fund | Instances in which the school system is the trustee or agent for resources outside of the government, such as the OPEB trust and Student Activities Fund |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances | <ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows | <ul style="list-style-type: none"> • Statement of net assets • Statement of changes in net assets (fiduciary fund only) |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Modified accrual basis of accounting |
| Type of asset/liability information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term | The school system's fund does not currently contain capital assets nor liabilities |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All receipts and disbursements during year, when cash is received or paid, rather than when an obligation is incurred |

Government-Wide Statements

The government-wide statements report information about the School Board as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School Board's assets and liabilities, while the statement of activities reports the School Board's revenues and expenses, regardless of when cash is received or paid. Both of the statements are prepared using the full accrual basis of accounting, which is similar to private-sector accounting.

The two government-wide statements report the School Board's net assets and how they have changed. Net assets, the difference between the School Board's assets and liabilities, is one way to measure the School Board's financial health or position.

- Over time, increases or decreases in the School Board's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School Board you need to consider additional non-financial factors such as changes in the student population and the condition of school properties.

The government-wide financial statements of the School Board include only governmental activities, as the School Board does not have business-type activities. Most of the School Board's basic services are included here, such as administration, instruction, attendance and health, pupil transportation, information technology, and operations and maintenance. State aid, federal aid, and state and federal grants finance most of these activities.

Fund Financial Statements

The fund statements focus on the major funds of the School Board, rather than the entity as a whole. These financial statements are presented on a modified accrual basis and are accounting devices that the School Board uses to keep track of specific sources of funding and spending for particular purposes.

The School Board has three types of funds:

- *Governmental funds* – Most of the School Board's basic activities are included in governmental funds, which focus on: (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps a reader determine whether there are more or fewer financial resources that can be spent in the near-term future to finance the School Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, this additional information is provided in reconciliations after the governmental funds statements to explain the relationship (or differences) between them.
- *Proprietary funds* – Services for which the School Board charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The School Board uses two *internal service funds*. Internal service funds are used for goods or services provided by a central service department or agency to other departments, agencies or to other unrelated governmental units, usually on a cost reimbursement basis. The Print Shop Fund supplies printing and graphic services to the City of Portsmouth, outside entities and functional units in the School Board on a cost reimbursement basis. The Risk Management and Insurance Fund accounts for the payment of claims and legal fees, if necessary, on public liability claims arising from the operations of the School Board.
- *Fiduciary funds* – The School Board maintains an agency fund which is custodial in nature (assets equal liabilities) and does not involve measurements of the results of operations. The School Board's agency fund is the Student Activities Fund, which accounts for the student activity monies maintained on behalf of the students by the school principals at each school. The OPEB trust fund is used to report resources that are required to be held in a trust for members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or employee benefit plans.

Financial Analysis of the School Board as a Whole

Following is a discussion of the major financial highlights of the School Board financial statements:

Net Assets

The School Board's net assets at the end of fiscal year 2009 were \$77.9 million, which were composed of \$24.2 million in unrestricted net assets, \$1.5 million in restricted for other purposes, and \$52.2 million invested in capital assets, net of related debt. Capital assets of the School Board which are secured by debt are reflected in the City of Portsmouth's financial statements. All capital assets that are School Board assets which are not secured by debt are reported in the School Board's financial statements. Please refer to the Financial Highlights for Fiscal Year 2009 section for the related construction projects.

Net Assets

Years Ended June 30,
(In thousands of dollars)

| | 2009 | 2008 |
|--|------------------|------------------|
| Current and other assets | \$ 48,777 | \$ 43,643 |
| Capital assets | 59,323 | 57,512 |
| Total assets | <u>108,100</u> | <u>101,155</u> |
| Long-term debt outstanding | 14,384 | 14,361 |
| Other liabilities | 15,865 | 16,521 |
| Total liabilities | <u>30,249</u> | <u>30,882</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 52,248 | 49,912 |
| Restricted, OPEB | 618 | 371 |
| Restricted, Capital projects | 830 | 4,204 |
| Unrestricted | 24,155 | 15,786 |
| Total net assets | <u>\$ 77,851</u> | <u>\$ 70,273</u> |

Changes in Net Assets

The breakdown of program revenue is as follows: 92% comes from operating contributions, while 3% comes from capital grants and contributions; and the remaining program revenue is from charges for services. Total general revenues for fiscal year 2009 were \$125.7 million, consisting primarily of grants and contributions not restricted to specific programs. City appropriations make up approximately 27% of these revenues. The majority of the rest of the grants and contributions not restricted to specific programs are derived from state and federal funds.

Changes in Net Assets

Years Ended June 30,
(In thousands of dollars)

| Revenues | 2009 | 2008 |
|---|------------------|------------------|
| Program revenues | | |
| Charges for services | \$ 3,290 | \$ 2,627 |
| Operating grants and contributions | 51,496 | 56,827 |
| Capital grants and contributions | 1,455 | 1,880 |
| General revenues | | |
| Interest and investment earnings | 499 | 945 |
| Grants and contributions not restricted | 123,607 | 111,807 |
| Miscellaneous | 1,607 | 590 |
| Total revenues | <u>181,954</u> | <u>174,676</u> |
| Program expenses | | |
| Instruction | 126,006 | 118,519 |
| Administration | 5,655 | 5,281 |
| Attendance and health services | 3,603 | 3,212 |
| Pupil transportation | 7,274 | 7,359 |
| Operations and maintenance | 18,619 | 15,493 |
| Information technology | 5,703 | 5,999 |
| Food services | 7,258 | 6,942 |
| Interest on long-term debt | 258 | 297 |
| Total program expenses | <u>174,376</u> | <u>163,102</u> |
| Change in net assets | 7,578 | 11,574 |
| Beginning net assets | <u>70,273</u> | <u>58,699</u> |
| Ending net assets | <u>\$ 77,851</u> | <u>\$ 70,273</u> |

Operating contributions in the program revenues section, decreased by \$5.3 million over the previous fiscal year. Most of this is related to a decrease due to a year end adjustment in deferred grant revenue of \$1.2 million. A decrease of \$3.2 million was due to no compensation supplement being received in the Grants Fund.

Grants and contributions not restricted, in the general revenues section, increased by \$11.8 million over the previous fiscal year. The City of Portsmouth did not increase funding this fiscal year to match changes in ADM.

Instruction program expenses increased by \$7.5 million over the previous fiscal year. Most of this increase was due to the ERIP program and the creation of more Career and Technical Education programs. The ERIP program was established to encourage retirement by offering early retirement incentives.

Financial Analysis of the School Board's Funds

The School Board's combined fund balance for the governmental funds was \$24.5 million for fiscal year ended June 30, 2009. The net change is comparative to last year's combined fund balance.

Fund Balance Comparison

Years Ended June 30,

| Fund | 2009 | 2008 |
|-----------------------------|----------------------|----------------------|
| General | \$ 4,445,477 | \$ 5,831,280 |
| Grants | (2,087,325) | (3,155,944) |
| Food Services | 1,624,469 | 2,010,373 |
| Textbook | 2,131,345 | 995,860 |
| Construction | <u>18,383,516</u> | <u>12,405,294</u> |
| Total combined fund balance | <u>\$ 24,497,482</u> | <u>\$ 18,086,863</u> |

There were several factors that contributed to the change in fund balance.

- The fund balance in the General Fund consists of encumbrances and reserve for inventory. There was no significant change in reserve for inventory. The overall decrease in fund balance was attributed to a decrease in year end encumbrances.
- Increases in revenue from the federal government contributed to the increase in the fund balance in the Grants Fund. There has been an aggressive approach in collections and a timely request for reimbursements.
- An increase in cost of food and a decrease in donated commodities caused a decrease in the fund balance for the Food Services Fund.
- The Textbook Fund is in its third year and had an increase in interest revenue and a decrease in expenditures which contributed to an increase in the fund balance.
- In the Construction Fund, revenues consist of bond funds, lottery, and interest. There was an increase in the amount of funding received from the General Fund that contributed to the increase in fund balance. Parkview Elementary and Victory Elementary are the two bond funded projects. Several new projects were started in FY 2009, which include: James Hurst renovation, Churchland Primary renovation and addition, Churchland High School roof replacement, Cradock Middle School roof replacement, S.H. Clarke roof replacement and Douglass Park roof replacement.

General Fund Budgetary Highlights

Throughout fiscal year 2009, the School Board monitors its total budget; however, the School Board delegates authority to the superintendent to move budget amounts between line items and organizational units to meet the changing needs of the School Board. The School Board's administration manages actual spending to revenue received.

General Fund
Fiscal Year 2009
 (In thousands of dollars)

| | Original Budget | Amended Budget | Actual (Budgetary Basis) |
|-----------------------------------|--------------------|-------------------|--------------------------------|
| Revenues | | | |
| Intergovernmental | \$ 150,836 | \$ 150,836 | \$ 151,534 |
| Other | 950 | 950 | 2,644 |
| Total | <u>151,786</u> | <u>151,786</u> | <u>154,178</u> |
| Expenditures and transfers | | | |
| Expenditures | 146,774 | 146,774 | 142,457 |
| Transfers | 5,012 | 5,012 | 11,721 |
| Total | <u>151,786</u> | <u>151,786</u> | <u>154,178</u> |
| Change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2009, the School Board had \$59.3 million in capital assets, net of depreciation. Most of the assets are in school buildings and land. Of the equipment, most of the capital assets are the school bus fleet and the maintenance vehicles.

Capital Assets
 Years Ended June 30,
 (Net of depreciation, in thousands of dollars)

| | 2009 | 2008 |
|----------------------------|------------------|------------------|
| Land | \$ 6,147 | \$ 6,147 |
| Buildings and improvements | 41,204 | 39,835 |
| Equipment | 7,287 | 6,257 |
| Construction in progress | 4,685 | 5,273 |
| Total | <u>\$ 59,323</u> | <u>\$ 57,512</u> |

During fiscal year 2009, the School Board completed \$5.1 million in construction in progress. This completion of construction in progress comprised a portion of the decrease in capital assets.

Readers desiring more information on capital assets are referred to Note 3 in the basic financial statements.

Long-Term Debt

Long-term debt as of fiscal year end was \$14.4 million, with \$11.1 million due in greater than one year and \$3.3 million due within one year.

The significant portions of long-term debt were \$4.7 million in vacation and sick leave liability, \$7.0 million in energy lease obligations and \$2.5 million in claims payable related to potential workman's compensation claims.

Readers desiring more information on long-term debt are referred to Note 4 in the basic financial statements.

Economic Factors and Next Year's Budget

Highlights of FY 2010 budget include:

- In its fiscal year 2010 budget, which was effective July 1, 2009, the School Board planned a step increase for all teachers and support and administrative staff effective September 6, 2009.
- Per VDOE Standards of Quality (SOQ) some positions were eliminated through attrition.
- Positions that were effected by this reduction were library clerks, media center clerks, and nurses.
- Fiscal year 2010 was the first year for the Spanish program to be implemented in Elementary Schools, 6th grade.
- PPS was allocated funds as a part of the American Recovery and Reinvestment Act (ARRA). These funds will be received as state fiscal stabilization funds, Title I and IDEA.
- PPS was awarded \$18M in Qualified School Construction Bonds (QSCBs) for the construction of a new Simondale Elementary School. QSCBs are tax-credit bonds for school construction created under ARRA. QSCBs are taxable (rather than tax-exempt) bonds. The investor or buyer of a QSCB receives federal income tax credits that are approximately equal to the interest that the issuer would pay holders of taxable bonds. This results in a bond that is issued at an interest rate of zero percent (or close to zero depending on market conditions). Issuers are still responsible for repayment of principal.
- There are renovations and additions taking place at Churchland Primary and James Hurst Elementary

During the course of the ensuing year, School Board administration will monitor and manage spending in fiscal year 2010 in light of the aforementioned.

Contacting the School Board's Financial Management

This financial report is designed to provide citizens, taxpayers, parents, guardians, and creditors with a general overview of the School Board's finances and to demonstrate the School Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Portsmouth, Virginia, School Board, Superintendent's Office, 801 Crawford Street, Portsmouth, Virginia 23704.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit I

STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES

June 30, 2009

ASSETS

| | |
|---------------------------------------|-----------------------|
| Cash and cash equivalents | \$ 41,897,290 |
| Cash with fiscal agent | 1,051,045 |
| Due from the federal government | 2,881,466 |
| Due from the Commonwealth of Virginia | 1,096,080 |
| Receivables - net | 191,155 |
| Inventory | 1,042,975 |
| Capital assets not depreciated | 10,831,296 |
| Other capital assets - net | 48,491,496 |
| Net OPEB asset | 617,670 |
| Total assets | \$ 108,100,473 |

LIABILITIES

| | |
|---------------------------|-------------------|
| Accounts payable | \$ 5,512,716 |
| Accrued payroll | 7,642,365 |
| Accrued payroll taxes | 2,350,292 |
| Accrued interest | 259,756 |
| Due to primary government | 99,796 |
| Long-term liabilities | |
| Due within one year | 3,286,342 |
| Due in more than one year | 11,098,461 |
| Total liabilities | 30,249,728 |

NET ASSETS

| | |
|--|-----------------------|
| Invested in capital assets - net of related debt | 52,248,227 |
| Restricted | |
| Capital projects | 829,897 |
| Post-employment benefits | 617,670 |
| Unrestricted | |
| Total net assets | 24,154,951 |
| Total net assets | 77,850,745 |
| Total liabilities and net assets | \$ 108,100,473 |

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit II

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2009

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) | |
|---------------------------------------|-----------------------|-------------------------|--|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenues and Changes in Net Assets | |
| | | | | | | |
| Governmental activities | | | | | | |
| Administration | \$ 5,655,194 | \$ - | \$ - | \$ - | \$ (5,655,194) | |
| Instruction | 126,005,907 | 62,284 | 46,544,936 | - | (79,398,687) | |
| Attendance and health services | 3,603,084 | 283,774 | - | - | (3,319,310) | |
| Pupil transportation | 7,273,274 | 499,889 | - | - | (6,773,385) | |
| Operations and maintenance | 18,619,097 | 105,209 | - | 1,455,056 | (17,058,832) | |
| Information technology | 5,703,015 | - | - | - | (5,703,015) | |
| Food service | 7,258,248 | 2,338,403 | 4,951,412 | - | 31,567 | |
| Interest on long-term debt | 258,233 | - | - | - | (258,233) | |
| Total Primary Government | \$ 174,376,052 | \$ 3,289,559 | \$ 51,496,348 | \$ 1,455,056 | (118,135,089) | |
| General Revenues | | | | | | |
| | | | | | | |
| Unrestricted grants and contributions | | | | | 123,606,569 | |
| Investment earnings | | | | | 498,527 | |
| Miscellaneous | | | | | 1,607,268 | |
| Total general revenues | | | | | 125,712,364 | |
| Change in net assets | | | | | | |
| | | | | | | |
| Net assets - beginning of year | | | | | 7,577,275 | |
| Net assets - end of year | | | | | \$ 77,850,745 | |

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit III
 Page 1 of 2

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2009

| | General | School Grants | School Food Services | School Textbook | School Construction | Total Governmental Funds |
|---|----------------------|----------------------|-----------------------------|------------------------|----------------------------|---------------------------------|
| ASSETS | | | | | | |
| Cash and temporary investments | \$ 13,444,823 | \$ 1,882,402 | \$ 1,879,981 | \$ 1,838,459 | \$ 17,416,444 | \$ 36,462,109 |
| Cash with fiscal agent | - | - | - | - | 1,051,045 | 1,051,045 |
| Receivables | 45,000 | 105,850 | 2,997 | - | - | 153,847 |
| Due from federal government, net of allowance of \$570,000 | - | 2,585,987 | 295,479 | - | - | 2,881,466 |
| Due from Commonwealth of Virginia | 957,674 | 138,406 | - | - | - | 1,096,080 |
| Due from other funds | 4,306,678 | - | - | - | 2,128,701 | 6,435,379 |
| Inventory | 650,498 | - | 59,301 | 297,614 | - | 1,007,413 |
| Total assets | \$ 19,404,673 | \$ 4,712,645 | \$ 2,237,758 | \$ 2,136,073 | \$ 20,596,190 | \$ 49,087,339 |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 2,873,551 | \$ 118,830 | \$ 203,749 | \$ 4,728 | \$ 2,212,674 | \$ 5,413,532 |
| Accrued payroll | 7,479,374 | 96,078 | 66,913 | - | - | 7,642,365 |
| Accrued payroll taxes | 2,350,292 | - | - | - | - | 2,350,292 |
| Due to City of Portsmouth | 99,796 | - | - | - | - | 99,796 |
| Deferred revenue | - | 2,621,011 | - | - | - | 2,621,011 |
| Due to other funds | 2,156,183 | 3,964,051 | 342,627 | - | - | 6,462,861 |
| Total liabilities | 14,959,196 | 6,799,970 | 613,289 | 4,728 | 2,212,674 | 24,589,857 |
| FUND BALANCES | | | | | | |
| Reserved | | | | | | |
| Encumbrances | 3,794,979 | - | 93,870 | - | 6,659,890 | 10,548,739 |
| Inventories | 650,498 | - | 59,301 | 297,614 | - | 1,007,413 |
| Capital projects | - | - | - | - | 829,897 | 829,897 |
| Unreserved | | | | | | |
| Designated: | | | | | | |
| Designated for capital projects | - | - | - | - | 10,893,729 | 10,893,729 |
| Undesignated | - | (2,087,325) | 1,471,298 | 1,833,731 | - | 1,217,704 |
| Total fund balances (deficit) | 4,445,477 | (2,087,325) | 1,624,469 | 2,131,345 | 18,383,516 | 24,497,482 |
| Total liabilities and fund balances | \$ 19,404,673 | \$ 4,712,645 | \$ 2,237,758 | \$ 2,136,073 | \$ 20,596,190 | \$ 49,087,339 |

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit III, continued
Page 2 of 2

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2009

**Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets**

Total fund balances - governmental funds \$ 24,497,482

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds.

| | |
|--------------------------------------|----------------------------|
| Net assets of governmental funds | \$ 59,322,792 |
| Net assets of internal service funds | <u>(52,920)</u> 59,269,872 |

Some of the School Board's revenues will be collected after year-end
but are not available soon enough to pay for the current period's
expenditures and, therefore, are deferred in the funds.

2,621,011

Amounts paid to the trust for other post-employment benefits
in excess of the required contributions, the net OPEB asset, are not
financial resources and, therefore, are not reported in the funds.

617,670

Long-term liabilities are not due and payable in the current period,
and, therefore, are not reported as liabilities in the governmental
funds.

| | |
|--|-------------------------------|
| Long-term liabilities | |
| Governmental funds | (14,384,803) |
| Internal service funds - current portion | 945,005 |
| Internal service funds - long-term portion | <u>1,593,545</u> (11,846,253) |
| Accrued interest payable | (259,756) |

Internal service funds are used by management to charge
the costs of certain activities, such as printing and insurance
to individual funds. The assets and liabilities of the internal
service funds are included in governmental activities in the
statement of net assets.

2,950,719

Total net assets - governmental activities \$ 77,850,745

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit IV
 Page 1 of 2

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS**

Year Ended June 30, 2009

| | General | School Grants | School Food Services | School Textbook | School Construction | Total Governmental Funds |
|--|----------------------------|------------------------------|-----------------------------|----------------------------|-----------------------------|---------------------------------|
| Revenues | | | | | | |
| Intergovernmental | | | | | | |
| From City of Portsmouth | \$ 49,791,970 | \$ 70,888 | \$ - | \$ - | \$ - | \$ 49,862,858 |
| From Commonwealth of Virginia | 101,062,754 | 5,078,615 | 82,577 | 1,698,769 | 1,455,056 | 109,377,771 |
| From federal government | 678,505 | 13,007,431 | 4,482,115 | - | - | 18,168,051 |
| Donated commodities | - | - | 386,720 | - | - | 386,720 |
| Total intergovernmental | <u>151,533,229</u> | <u>18,156,934</u> | <u>4,951,412</u> | <u>1,698,769</u> | <u>1,455,056</u> | <u>177,795,400</u> |
| Charges for services | - | - | 1,307,555 | 8,584 | - | 1,316,139 |
| Interest | 204,118 | - | 26,244 | 25,165 | 133,095 | 388,622 |
| Miscellaneous | 2,440,253 | 368,403 | 662,445 | - | 26,513 | 3,497,614 |
| Total revenues | <u>154,177,600</u> | <u>18,525,337</u> | <u>6,947,656</u> | <u>1,732,518</u> | <u>1,614,664</u> | <u>182,997,775</u> |
| Expenditures | | | | | | |
| Education | | | | | | |
| Administration | 5,322,408 | 320,897 | - | - | - | 5,643,305 |
| Instruction | 100,407,106 | 15,848,766 | - | 597,033 | - | 116,852,905 |
| Attendance and health services | 3,081,149 | 518,825 | - | - | - | 3,599,974 |
| Pupil transportation | 6,244,393 | 693,360 | - | - | - | 6,937,753 |
| Information technology | 5,670,499 | - | - | - | - | 5,670,499 |
| Operation and maintenance | 18,475,282 | 4,194 | - | - | - | 18,479,476 |
| Food services | - | - | 7,196,433 | - | - | 7,196,433 |
| Capital outlay | 3,820,662 | 975,442 | 137,127 | - | 6,450,466 | 11,383,697 |
| Debt service | | | | | | |
| Principal | 525,848 | - | - | - | - | 525,848 |
| Interest | 295,266 | - | - | - | 2,000 | 297,266 |
| Total expenditures | <u>143,842,613</u> | <u>18,361,484</u> | <u>7,333,560</u> | <u>597,033</u> | <u>6,452,466</u> | <u>176,587,156</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>10,334,987</u> | <u>163,853</u> | <u>(385,904)</u> | <u>1,135,485</u> | <u>(4,837,802)</u> | <u>6,410,619</u> |
| Other financing sources (uses) | | | | | | |
| Transfers in | - | 904,766 | - | - | 10,816,024 | 11,720,790 |
| Transfers out | (11,720,790) | - | - | - | - | (11,720,790) |
| Total other financing sources (uses) | <u>(11,720,790)</u> | <u>904,766</u> | <u>-</u> | <u>-</u> | <u>10,816,024</u> | <u>-</u> |
| Net change in fund balances | <u>(1,385,803)</u> | <u>1,068,619</u> | <u>(385,904)</u> | <u>1,135,485</u> | <u>5,978,222</u> | <u>6,410,619</u> |
| Fund balance (deficit) - beginning of year | <u>5,831,280</u> | <u>(3,155,944)</u> | <u>2,010,373</u> | <u>995,860</u> | <u>12,405,294</u> | <u>18,086,863</u> |
| Fund balance (deficit) - end of year | <u>\$ 4,445,477</u> | <u>\$ (2,087,325)</u> | <u>\$ 1,624,469</u> | <u>\$ 2,131,345</u> | <u>\$ 18,383,516</u> | <u>\$ 24,497,482</u> |

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit IV, continued
Page 2 of 2

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

Year Ended June 30, 2009

**Reconciliation of the Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds to the Statement of Activities**

Net change in fund balances - total governmental funds \$ 6,410,619

Amounts reported for governmental activities in the statement of net assets
are different because:

Governmental funds report capital outlay as expenditures. However, in
the statement of activities the cost of these assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlay exceeded depreciation.

| | |
|--|------------------------------|
| General government capital outlay expenditures | \$ 3,985,823 |
| Depreciation of general government assets | <u>(2,195,592)</u> 1,790,231 |

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds. (1,237,427)

Debt proceeds provide current financial resources to governmental funds,
but issuing debt increases long-term liabilities in the statement of net assets.
Repayment of bond principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net assets.

| | |
|--|---------|
| Add debt repayment | 525,848 |
| Adjustment of accrued interest on long-term debt | 37,033 |

Some expenses, such as compensated absences and net pension obligation,
reported in the statement of activities, do not require the use of current
financial resources and, therefore, are not reported as expenditures in
governmental funds.

| | |
|---|------------------------|
| Change in compensated absences and net pension obligation | (30,239) |
| Change in net OPEB asset | <u>246,175</u> 215,936 |

Internal service funds are used by management to charge the cost of
certain activities, such as printing and insurance, to individual funds. The
net revenue of certain internal service funds is reported with governmental
activities. (164,965)

Change in net assets of governmental activities \$ 7,577,275

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit V

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2009

| ASSETS | Governmental Activities - Internal Service Funds |
|---|---|
| Current assets | |
| Cash and temporary investments | \$ 5,435,181 |
| Due from other funds | 27,482 |
| Due from other agencies | 9,826 |
| Inventories | 35,562 |
| Total current assets | 5,508,051 |
| Noncurrent assets | |
| Capital assets | |
| Machinery and equipment | 977,583 |
| Less - accumulated depreciation | (924,663) |
| Total noncurrent assets | 52,920 |
| Total assets | \$ 5,560,971 |
| LIABILITIES AND NET ASSETS | |
| Current liabilities | |
| Claims payable - current portion | \$ 945,005 |
| Accounts payable and accrued expenses | 71,702 |
| Total current liabilities | 1,016,707 |
| Noncurrent liabilities | |
| Claims payable - net of current portion | 1,537,836 |
| Compensated absences | 55,709 |
| Total noncurrent liabilities | 1,593,545 |
| Total liabilities | 2,610,252 |
| Net assets | |
| Invested in capital assets | 52,920 |
| Unrestricted | 2,897,799 |
| Total net assets | 2,950,719 |
| Total liabilities and net assets | \$ 5,560,971 |

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit VI

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
 PROPRIETARY FUNDS**

Year Ended June 30, 2009

| | Governmental Activities - Internal Service Funds |
|---|---|
| Operating revenues | |
| Charges for services | \$ 1,473,820 |
| Total operating revenues | <u>1,473,820</u> |
| Operating expenses | |
| Personnel services | 391,492 |
| Insurance claims and expenses | 1,139,010 |
| Contractual | 87,685 |
| Repairs and maintenance | 35,177 |
| Other supplies and expenses | 170,517 |
| Depreciation and amortization | 7,884 |
| Total operating expenses | <u>1,831,765</u> |
| Operating loss | <u>(357,945)</u> |
| Nonoperating revenues | |
| Interest income | 109,905 |
| Insurance recovery | 83,075 |
| Total nonoperating revenues | <u>192,980</u> |
| Change in net assets | <u>(164,965)</u> |
| Total net assets - beginning of year | <u>3,115,684</u> |
| Total net assets - end of year | <u>\$ 2,950,719</u> |

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit VII

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended June 30, 2009

| | Governmental Activities - Internal Service Funds |
|--|---|
| Cash flows from operating activities | |
| Received from customers and users | \$ 1,481,748 |
| Payments to suppliers for goods and services | (864,391) |
| Payments to employees | (385,175) |
| Net cash provided by operating activities | <u>232,182</u> |
| Cash flows from capital and related financing activities | |
| Purchase of capital assets | (28,001) |
| Net cash used in capital and related financing activities | <u>(28,001)</u> |
| Cash flows from investing activities | |
| Interest received | 109,905 |
| Insurance recovery | 83,075 |
| Net cash provided by investing activities | <u>192,980</u> |
| Net change in cash and temporary investments | <u>397,161</u> |
| Cash and temporary investments - beginning of year | <u>5,038,020</u> |
| Cash and temporary investments - end of year | <u>\$ 5,435,181</u> |
| Reconciliation of operating loss to net cash provided by operating activities | |
| Operating loss | \$ (357,945) |
| Adjustments to reconcile operating loss to net cash provided by operating activities | |
| Depreciation and amortization | 7,884 |
| Change in assets and liabilities | |
| Due from other governments | 9,628 |
| Due from other funds | (1,700) |
| Inventories | 10,786 |
| Vouchers and accounts payable | 44,062 |
| Claims payable | 513,150 |
| Change in compensated absences | 6,317 |
| Total adjustments | <u>590,127</u> |
| Net cash provided by operating activities | <u>\$ 232,182</u> |

Supplemental information on significant non-cash transactions

There were no significant non-cash transactions.

The accompanying notes are an integral part of the basic financial statements.

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia**

Exhibit VIII

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

June 30, 2009

| ASSETS | School OPEB | |
|--------------------------------|--------------------|--------------------|
| | Trust Fund | Agency Fund |
| Cash and temporary investments | \$ 1,593,550 | \$ 731,215 |

LIABILITIES AND NET ASSETS

| | | |
|--|---------------------|-------------------|
| Liabilities | | |
| Due to students | \$ - | \$ 731,215 |
| Net assets | | |
| Held in trust for other post-employment benefits | <u>1,593,550</u> | <u>-</u> |
| Total liabilities and net assets | <u>\$ 1,593,550</u> | <u>\$ 731,215</u> |

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit IX

STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS

For the Year Ended June 30, 2009

| | School OPEB Trust Fund |
|-----------------------------|-----------------------------------|
| Additions | |
| Contributions | \$ 1,250,252 |
| Investment earnings | 29,887 |
| Losses on investments | <u>(110,440)</u> |
| Total additions | <u>1,169,699</u> |
| Deductions | |
| Benefits - health insurance | <u>226,252</u> |
| Total deductions | <u>226,252</u> |
| Change in net assets | 943,447 |
| Net assets - beginning | <u>650,103</u> |
| Net assets - ending | <u>\$ 1,593,550</u> |

The accompanying notes are an integral part of the basic financial statements.

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CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit X

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements presented for the City of Portsmouth, Virginia School Board (School Board) are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The School Board's significant accounting and reporting policies are described below.

The Financial Reporting Entity

The School Board is considered a component unit of the City of Portsmouth (City). The School Board has no component units. Component units are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: (a) the primary government is accountable for the component unit, and (b) the primary government is able to impose its will upon the component unit (or there is a possibility that the component unit may provide specific financial benefits or impose specific financial burdens on the primary government). The information included in these basic financial statements will also be included in the City of Portsmouth's basic financial statements because of the significance of the School Board's financial relationship with the City.

The School Board determines educational policy and employs a Superintendent of Schools to administer the School Board's policies. The members of the School Board are elected by the citizens of the City of Portsmouth.

The School Board is responsible for elementary and secondary education for the City of Portsmouth.

Basis of Presentation

The School Board's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the School Board as a whole, except for fiduciary funds. These statements are reflected on a full accrual basis of accounting and economic resources measurement focus, which incorporates long-term assets as well as long-term liabilities.

The statement of net assets presents the financial condition of the governmental type activities of the School Board at year-end. The School Board does not have any business-type activities. The government-wide statement of activities reflects both the gross and net cost per functional category that is otherwise being supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues (charges for services, operating and capital grants, and contributions). The program revenues must be directly associated with the function or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items such as grants not specific to a program, not properly included among program revenues, are reported as general revenues. The School Board does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The effect of interfund services provided and used – for example, print shop services – are not eliminated in the process of consolidation.

Fund Financial Statements - The accounts of the School Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. The fund statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

Governmental Funds - Governmental Funds are those through which most governmental functions of the School Board are financed. The acquisition, use and balances of the School Board's expendable financial resources and the related liabilities are accounted for through governmental funds. Governmental fund types use the "flow of current financial resources" measurement focus. This means that generally only current assets and current liabilities are reflected on their balance sheets. Their operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The measurement focus is based upon the determination of changes in financial position, rather than upon net income determination. The School Board reports the following major governmental funds:

General Fund - The General Fund (School Operating Fund) is the general operating fund of the School Board. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are primarily from other governments (intergovernmental revenues).

School Grants Fund - The School Grants Fund is a special revenue fund which accounts for federal, state and other grants associated with school programs.

School Food Services Fund - The School Food Services Fund is a special revenue fund which accounts for the operations of the cafeterias operating in each school.

School Textbook Fund - The School Textbook Fund is a special revenue fund which accounts for state funding for the acquisition of textbooks.

School Construction Fund - The School Construction Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, the School Board reports the following fund types:

Internal Service Funds - The Internal Service Funds account for the financing of services provided by one fund to other funds of the School Board. The Risk Management Fund accounts for the payment of claims and legal fees, if necessary, on public liability claims arising from the operations of the School Board. The Print Shop Fund accounts for print shop services provided to other departments of the School Board or other governments on a cost reimbursement basis. Operating revenues include charges for services. Operating expenses include cost of services. The internal service funds are included in governmental activities for government-wide reporting purposes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The excess revenue or expenses for the funds are allocated to the appropriate functional activity. In accordance with GASB Statement No. 20, the School Board has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for proprietary funds.

Fiduciary Funds - Fiduciary funds are used to account for assets held by the School Board in a trustee capacity or as an agent for individuals, private organizations, and other governments. The fiduciary funds of the School Board are the Student Activities Fund and the School OPEB Trust Fund. The agency fund accounts for the student activity monies maintained on behalf of the students by the school principals at each school. The School Board also has a trust fund that holds the assets contributed for the costs of the Schools Board's other post-employment benefits for employees. Fiduciary funds are not included in the government-wide financial statements.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the fund statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The School Board generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available.

The government-wide statement of net assets and statement of activities and all proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the statement of net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities and financial statements of the proprietary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, including grants, charges for services and interest income, are recorded as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally revenues collected within 45 days of year-end are recognized. For grants, revenue is recognized when all eligibility requirements have been met. Expenditures, other than interest and principal on long-term debt which is recorded when due, are recorded when the fund liability is incurred, if measurable.

Fiduciary funds are reported using the accrual basis of accounting. However, agency funds included in fiduciary funds do not involve the measurement of results of operations as they are custodial in nature.

Receivables

Receivables are presented net of an allowance for doubtful accounts of \$570,000 in the School Grants Fund.

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of consumable materials and supplies held for future consumption. Under the purchase method of accounting, the cost is recorded as an expenditure in the governmental funds at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reservation which indicates the inventories do not constitute "available spendable resources."

Capital Assets

Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent the School Board's capitalization threshold of \$5,000 is met.

Depreciation is recorded on general capital assets on a government-wide basis using the straight-line method over the following estimated useful lives:

| | |
|----------------------------|---------------|
| Buildings and Improvements | 20 - 50 years |
| Equipment | 5 - 30 years |

To the extent the School Board's capitalization threshold of \$5,000 is met, capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis using the straight-line method and the following estimated useful life:

| | |
|-----------|-------------|
| Equipment | 5 - 8 years |
|-----------|-------------|

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are recorded at estimated fair market value on the date received. The School Board has no infrastructure assets.

Under Virginia law, certain property maintained by the School Board is subject to tenancy in common with the City, if the City has incurred a financial obligation for the property, which is payable over more than one fiscal year. The School Board and the City have agreed that such property, having a net book value of \$81,904,161 will be carried on the City's financial statements until the outstanding debt is repaid.

Maintenance, repairs and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Compensated Absences

School Board employees are granted vacation and sick pay in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused vacation pay earned and, upon retirement, termination or death, may be compensated as salary related payments for certain amounts at their then current rates of pay. After five consecutive years of service, employees, upon retirement, termination or death may be compensated at a daily rate of \$20 for each unused sick leave day earned provided that the funds have been included in the approved annual budget.

Fund Balances/Net Assets

Fund balances have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

Fund Balances - Reserved - indicates that a portion of fund equity which has been legally segregated for specific purposes or does not represent available expendable resources.

Fund Balances - Unreserved, Undesignated - represents the remainder of the School Board's equity in governmental fund-type balances.

Net Assets in government-wide financial statements are classified as invested in capital assets, net of related debt, restricted and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through state statute.

Statement of Cash Flows

For purposes of the statement of cash flows, investments with original maturities of three months or less from the date of purchase are grouped into cash and temporary investments.

Use of Estimates

Management of the School Board has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Management believes any differences between these estimates and actual results should not materially affect the School Board's reporting of its financial position.

2. DEPOSITS AND INVESTMENTS

The School Board maintains individual segregated bank accounts for the School Grants, School Food Services and Print Shop funds. The General, Textbook, School Construction and Risk Management funds share a pooled cash account.

Deposits

At year end, the carrying value of the School Board's deposits with banks and savings institutions was \$43,679,554 and the bank balance was \$42,273,721. The bank balances of the School Board's deposits were covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act). Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. If any member financial institution fails, the entire collateral becomes available to satisfy claims of the School Board. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members (banks) of the pool. Therefore, these deposits are considered collateralized and as a result are considered insured.

Investments

State statutes authorize the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime" quality commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

The School Board does not have a formal investment policy. The City Treasurer's investment policies apply to the School Board's deposits and investments. The Treasurer's investment policy addresses custodial credit risk, interest rate risk, concentration of risk, and credit risk, in which instruments are to be diversified and maturities timed according to anticipated needs in order to minimize any exposure. The City's policy does not address foreign currency risk.

The School Board has \$1,051,045 in the School Construction Fund that is held with a fiscal agent. Of this, the amount restricted for capital projects is \$828,897.

The School Board has \$1,593,550 in investments for the School OPEB Trust Fund. These investments include:

| | |
|-----------------------------|---------------------|
| Cash and money market funds | \$ 1,145,527 |
| Bond mutual funds | 263,951 |
| Equity mutual funds | <u>184,072</u> |
| | <u>\$ 1,593,550</u> |

Reconciliation of Deposits and Investments

| | |
|---------------------------------------|----------------------|
| Cash and investments | \$ 41,897,290 |
| Cash with fiscal agent | 1,051,045 |
| Fiduciary fund cash and investments | <u>2,324,765</u> |
| Total deposits and investments | <u>\$ 45,273,100</u> |

3. CAPITAL ASSETS – NET

A summary of changes in capital assets for the year ended June 30, 2009, follows:

| | Balance July 1, 2008 | Increases | Decreases | Balance June 30, 2009 |
|---|-------------------------|---------------------|---------------------|--------------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 6,146,793 | \$ - | \$ - | \$ 6,146,793 |
| Construction in progress | <u>5,272,675</u> | <u>4,545,667</u> | <u>5,133,839</u> | <u>4,684,503</u> |
| Total capital assets - not being depreciated | <u>11,419,468</u> | <u>4,545,667</u> | <u>5,133,839</u> | <u>10,831,296</u> |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 65,697,075 | 2,578,152 | - | 68,275,227 |
| Equipment | <u>17,793,868</u> | <u>2,076,547</u> | <u>73,067</u> | <u>19,797,348</u> |
| Total capital assets - being depreciated | <u>83,490,943</u> | <u>4,654,699</u> | <u>73,067</u> | <u>88,072,575</u> |
| Less accumulated depreciation for | | | | |
| Buildings | 25,862,030 | 1,221,626 | 12,716 | 27,070,940 |
| Equipment | <u>11,535,937</u> | <u>981,850</u> | <u>7,648</u> | <u>12,510,139</u> |
| Total accumulated depreciation | <u>37,397,967</u> | <u>2,203,476</u> | <u>20,364</u> | <u>39,581,079</u> |
| Other capital assets - being depreciated - net | <u>46,092,976</u> | <u>2,451,223</u> | <u>52,703</u> | <u>48,491,496</u> |
| Governmental activities capital assets - net | <u>\$ 57,512,444</u> | <u>\$ 6,996,890</u> | <u>\$ 5,186,542</u> | <u>\$ 59,322,792</u> |

Depreciation expense was charged to functions as follows:

Governmental activities:

| | |
|--|---------------------|
| Instruction | \$ 1,660,064 |
| Administration, attendance and health services | 7,014 |
| Pupil transportation | 329,527 |
| Operations and maintenance | 123,656 |
| Information technology | 27,617 |
| Food services | <u>55,598</u> |
| Total governmental activities depreciation expense | <u>\$ 2,203,476</u> |

Contracts the School Board is committed to at June 30, 2009 are approximately \$6,659,890.

Included in capital assets is equipment which is leased under capital leases in the amount of \$871,266, net of accumulated amortization of \$871,266.

4. LONG-TERM LIABILITIES

Long-term liabilities are normally paid from the General Fund.

| | Net Pension Obligation | Capital Leases | Accrued Vacation Pay | Accrued Sick Leave | Claims Payable | Total |
|--------------------------------------|---------------------------------------|---------------------------|-------------------------------------|-----------------------------------|---------------------------|----------------------|
| Amounts payable at beginning of year | \$ 112,948 | \$ 7,600,413 | \$ 2,625,392 | \$ 2,052,501 | \$ 1,969,691 | \$ 14,360,945 |
| Increase in liabilities | 246 | - | 1,481,304 | 318,924 | 1,052,503 | 2,852,977 |
| Decrease in liabilities | - | (525,848) | (1,256,795) | (507,123) | (539,353) | (2,829,119) |
| Amounts payable at end of year | <u>\$ 113,194</u> | <u>\$ 7,074,565</u> | <u>\$ 2,849,901</u> | <u>\$ 1,864,302</u> | <u>\$ 2,482,841</u> | <u>\$ 14,384,803</u> |
| Amounts due within one year | <u>\$ -</u> | <u>\$ 571,337</u> | <u>\$ 1,260,000</u> | <u>\$ 510,000</u> | <u>\$ 945,005</u> | <u>\$ 3,286,342</u> |

Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. All liabilities, both current and long-term, are reported in the statement of net assets. Compensated absences are generally liquidated by general, grants, food services and print shop funds. Claims are generally liquidated by the general fund.

The future payments by year of the net pension obligation, accrued vacation pay and sick leave, and claims payable are not determinable.

Leases

A summary of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2009, is as follows:

| <u>Fiscal year</u> | |
|-------------------------------------|--------------|
| 2010 | \$ 850,193 |
| 2011 | 875,699 |
| 2012 | 901,970 |
| 2013 | 929,029 |
| 2014 | 956,900 |
| 2015-2018 | 4,086,875 |
| Total minimum payments | 8,600,666 |
| Less - amount representing interest | (1,526,101) |
| Present value of principal | \$ 7,074,565 |

5. DEFINED BENEFIT PENSION PLANS

Virginia Retirement System (VRS)

Plan Description

The School Board contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of credited service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service or at age 50 with 30 years of service for participating employers, payable monthly for life, in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustments (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the VRS at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

VRS plan members are required, by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution may be assumed by the employer. This 5% member contribution has been assumed by the School Board. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution rate for non-professional employees for the fiscal years ended 2009, 2008, 2007, 2006, and 2005, was 14%, 15%, 14%, 12%, and 11%, respectively, of annual covered payroll.

Additionally, required contributions to the VRS' state-wide teacher pool for the current year and each of the two preceding years were as follows:

| Year Ended | Annual | | Percentage |
|-------------------|---------------------|---------------------|--------------------|
| June 30, | Required | Actual | Contributed |
| | Contribution | Contribution | |
| 2009 | \$ 11,099,159 | \$ 11,099,159 | 100% |
| 2008 | \$ 11,948,682 | \$ 11,948,682 | 100% |
| 2007 | \$ 10,830,686 | \$ 10,830,686 | 100% |

Annual Pension Cost

The School Board's annual pension cost and net pension obligation to VRS for the current year were as follows:

| | |
|--|-------------------|
| Annual required contribution | \$ 1,144,725 |
| Interest on net pension obligation | 8,471 |
| Adjustment to annual required contribution | <u>(8,225)</u> |
| | |
| Annual pension cost | 1,144,971 |
| Contributions made | <u>1,144,725</u> |
| | |
| Increase in net pension obligation | 246 |
| | |
| Net pension obligation beginning of year | <u>112,948</u> |
| | |
| Net pension obligation end of year | <u>\$ 113,194</u> |

The required contribution was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases of 3.75% to 5.6% per year and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The School Board's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis over a period of nineteen years.

Trend Information for the School Board

| Year Ended | Annual | | Percentage |
|-------------------|----------------|-------------------|-------------------|
| | Pension | Cost (APC) | |
| June 30, | | | of APC |
| 2009 | \$ 1,144,971 | | 100% |
| 2008 | \$ 946,642 | | 100% |
| 2007 | \$ 929,900 | | 100% |

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the schedule of funding progress for the pension plan is presented below. The schedule of funding progress presents multi year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Overfunded (Unfunded) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------|---------------------------|-----------------------------------|------------------------------------|--------------|-----------------|---|
| | | | Actuarial Accrued Liability (UAAL) | | | |
| June 30, 2008 | \$ 26,548,549 | \$ 30,249,399 | \$ (3,700,850) | 87.77% | \$ 8,007,998 | 46.21% |
| June 30, 2007 | 24,480,702 | 27,907,908 | (3,427,206) | 87.72% | 8,046,557 | 42.59% |
| June 30, 2006 | 22,044,655 | 25,078,308 | (3,033,653) | 87.90% | 8,002,672 | 37.91% |

6. OTHER LIABILITIES AND CONTINGENCIES

Risk Management

The School Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School Board is self-insured for a portion of these risks. The self-insurance coverage for workers' compensation is \$250,000 per occurrence. Commercial insurance is purchased to cover any liability above these self-insured levels for specific losses. General liability is fully insured. This insurance coverage is substantially the same as in prior fiscal years. There were no settlements within the past three years which exceeded coverage.

The Risk Management and Insurance Fund services all claims of risk of loss to which the School Board is exposed, including workers' compensation, automobile and general liability. All funds of the School Board participate in the Risk Management Fund.

A loss analysis was conducted by Mercer Oliver Wyman Actuarial Consulting, Inc. on this fund. The total actuarially computed liability as of June 30, 2009, was determined to be \$2,482,841 (undiscounted) and recorded in the fund and the government-wide statements, accordingly.

Changes in the fund's claim liability amount in fiscal years 2009 and 2008 were:

| | 2009 | 2008 |
|-------------------------------------|---------------------|---------------------|
| Claims payable at beginning of year | \$ 1,969,691 | \$ 2,246,477 |
| Claims and changes in estimates | 1,052,503 | 356,947 |
| Claims payments | <u>(539,353)</u> | <u>(633,733)</u> |
| Claims payable at end of year | <u>\$ 2,482,841</u> | <u>\$ 1,969,691</u> |

Litigation

The School Board is involved in lawsuits arising in the ordinary course of operations. It is the opinion of the School Board's management, based on the advice of the School Board's attorney, that any losses incurred as a result of claims existing as of June 30, 2009 will not be material to the financial statements.

Grants

The School Board received grant funds, principally from the State and Federal governments, for instructional and various other programs. Expenditures from these grants are subject to audit by the grantor, and the School Board is contingently liable to refund amounts received in excess of allowable expenditures. Based on prior experience, School Board management believes such refunds, if any, will not be significant.

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances at June 30, 2009, which are considered short-term in nature, are as follows:

| | Due From Other Funds | Due To Other Funds |
|---------------------------|---------------------------------|-------------------------------|
| General Fund | \$ 4,306,678 | \$ 2,156,183 |
| School Grants Fund | - | 3,964,051 |
| School Food Services Fund | - | 342,627 |
| School Construction Fund | 2,128,701 | - |
| Internal Service Funds | <u>27,482</u> | - |
| | <hr/> | <hr/> |
| | <u>\$ 6,462,861</u> | <u>\$ 6,462,861</u> |

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2009, consisted of the following:

| | Transfers From Other Funds | Transfers To Other Funds |
|--------------------------|---|---|
| General Fund | \$ - | \$ 11,720,790 |
| School Grants Fund | 904,766 | - |
| School Construction Fund | <u>10,816,024</u> | - |
| | <hr/> | <hr/> |
| | <u>\$ 11,720,790</u> | <u>\$ 11,720,790</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

8. ACCUMULATED DEFICIT AND NEGATIVE NET ASSETS

At June 30, 2009, an accumulated deficit or negative net assets position existed in the following fund:

| | |
|--------------------|-------------|
| School Grants Fund | \$2,087,325 |
|--------------------|-------------|

The deficit is expected to be eliminated by grant revenues that were deferred because the amounts were not yet available at year end.

9. POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The School Board administers a single-employer defined benefit healthcare plan. It provides medical insurance benefits to eligible retirees and their spouses in accordance with the School's personnel policies and procedures. Plan membership as of June 30, 2009 consisted of 2,351 active service participants and 108 retirees and beneficiaries currently receiving benefits. A Trust was established for the purpose of accumulating and investing assets to fund other post-employment benefits obligations. Amounts contributed to the Trust by the School Board are irrevocable and must be used solely to discharge the School Board's obligations for other post-employment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the School Board's financial statements. Separate stand-alone statements are not issued for the plan.

Significant Accounting Policies

The OPEB Trust is a fiduciary-type fund of the School Board. Fiduciary funds use the flow of economic resources measurement focus and the accrual basis of accounting. Contributions are recognized in the period in which amounts are due, and benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value based on quoted market prices.

Funding Policy

The contributions requirements of plan members and the School Board are established and may be amended by the School Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the School Board. For fiscal year 2009, the School Board contributed \$1,250,252 to the plan, including \$226,252 for current benefits and an additional \$1,024,000 to prefund benefits. Costs to administer current benefits are paid from the general fund.

Annual OPEB cost and Net OPEB Obligation

The School Board's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters established in GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities, or funding excess, over a period not to exceed thirty years.

The following table shows the components of the School Board's annual OPEB cost for the year and the amount actually contributed to the plan, as well as the changes in the School Board's net OPEB obligation.

**OPEB Calculation Based on Projected Unit Cost
and Level Percentage of Pay Amortization**

| | |
|--|---------------------------|
| Annual required contribution | \$ 1,004,077 |
| Interest on net OPEB obligation | - |
| Adjustment to annual required contribution | <hr/> |
| Annual OPEB cost (expense) | 1,004,077 |
| Contributions made | <hr/> <u>(1,250,252)</u> |
| Increase in net OPEB asset | (246,175) |
| Net OPEB asset - Beginning of year | <hr/> <u>(371,495)</u> |
| Net OPEB asset - End of year | <hr/> <u>\$ (617,670)</u> |

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2009 were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Employer Contributions | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation (Asset) |
|-------------------|------------------|------------------------|--|-----------------------------|
| June 30, 2009 | \$ 1,004,077 | \$ 1,250,252 | 125% | \$ (617,670) |
| June 30, 2008 | \$ 486,533 | \$ 858,028 | 176% | \$ (371,495) |

Funded Status and Funding Progress

Based on the most recent actuarial valuation report for the fiscal year ending June 30, 2008, the funded status of the plan was as follows:

| | |
|---|----------------------------|
| Actuarial accrued liability (AAL) | \$ 10,802,915 |
| Actuarial value of plan assets | 650,000 |
| Unfunded actuarial accrued liability (UAAL) | <hr/> <u>\$ 10,152,915</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 6% |
| Covered payroll (active plan participants) | \$ 95,870,390 |
| UAAL as a percentage of covered payroll | 11% |

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the School Board's annual required contributions are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information as of June 30, 2009. In subsequent years, the schedule will provide additional multiyear trend information about whether the actuarial values of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective.

In the June 30, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7% investment rate of return (discount rate) and amortization of the Schools' unfunded actuarial accrued liabilities (UAAL) over a period of 30 years on a closed basis. Healthcare cost trend rates ranged from 10% initially to an ultimate rate of 5% for the 2013 fiscal year.

10. APPROPRIATIONS AND EXPENDITURES

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets for the School Board were adopted on a fund basis for the General Fund and certain special revenue funds.

An excess of expenditures and transfers over appropriations in individual funds were as follows for the year ended June 30, 2009:

| | Final Budget | Actual | Excess |
|--------------|---------------------|----------------|---------------|
| General Fund | \$ 151,785,863 | \$ 154,177,600 | \$ 2,391,737 |

These over-expenditures were funded by additional revenues received by the Portsmouth Public Schools in excess of the final budgeted amounts. The additional revenues received were a result of increased enrollment.

* * * * *

***REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)***

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CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit XI

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

| | Original Budget | Amended Budget | Actual (Budgetary Basis) | Variance with Amended Budget |
|--|----------------------------|---------------------------|---|---|
| | | | | Positive (Negative) |
| Revenues | | | | |
| Intergovernmental | | | | |
| From City of Portsmouth | \$ 49,791,970 | \$ 49,791,970 | \$ 49,791,970 | \$ - |
| From Commonwealth of Virginia | 100,383,893 | 100,383,893 | 101,062,754 | 678,861 |
| From federal government | 660,000 | 660,000 | 678,505 | 18,505 |
| Interest | 285,000 | 285,000 | 204,118 | (80,882) |
| Miscellaneous | 665,000 | 665,000 | 2,440,253 | 1,775,253 |
| Total revenues | 151,785,863 | 151,785,863 | 154,177,600 | 2,391,737 |
| Expenditures | | | | |
| Education | | | | |
| Administration | 4,675,930 | 4,674,480 | 5,269,263 | (594,783) |
| Instruction | 107,609,637 | 107,510,672 | 99,404,534 | 8,106,138 |
| Attendance and health services | 2,929,596 | 2,929,496 | 3,050,384 | (120,888) |
| Pupil transportation | 5,426,812 | 5,476,916 | 6,182,042 | (705,126) |
| Operations and maintenance | 18,074,695 | 17,846,708 | 19,116,047 | (1,269,339) |
| Information technology | 5,357,829 | 5,182,896 | 5,613,878 | (430,982) |
| Total education | 144,074,499 | 143,621,168 | 138,636,148 | 4,985,020 |
| Capital outlay | 2,699,743 | 3,153,074 | 3,820,662 | (667,588) |
| Total expenditures | 146,774,242 | 146,774,242 | 142,456,810 | 4,317,432 |
| Excess of revenues over expenditures | 5,011,621 | 5,011,621 | 11,720,790 | 6,709,169 |
| Other financing uses | | | | |
| Transfers out | (5,011,621) | (5,011,621) | (11,720,790) | (6,709,169) |
| Excess of revenues over expenditures and other financing uses | \$ - | \$ - | - | \$ - |
| Fund balance at beginning of year | | | 5,831,280 | |
| Decrease in reserve for encumbrances | | | (1,398,253) | |
| Increase in reserve for inventory | | | 12,450 | |
| Fund balance at end of year | | | \$ 4,445,477 | |

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit XII

SCHOOL GRANTS FUND
BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

| | Original Budget | Amended Budget | Actual (Budgetary Basis) | Variance with Amended Budget |
|--|----------------------------|---------------------------|---|---|
| Revenues | | | | |
| Intergovernmental | | | | |
| From City of Portsmouth | \$ - | \$ - | \$ 70,888 | \$ 70,888 |
| From Commonwealth of Virginia | 3,805,051 | 3,805,051 | 5,078,615 | 1,273,564 |
| From federal government | 12,628,677 | 12,628,677 | 13,007,431 | 378,754 |
| Miscellaneous | 221,338 | 221,338 | 368,403 | 147,065 |
| Total revenues | 16,655,066 | 16,655,066 | 18,525,337 | 1,870,271 |
| Expenditures | | | | |
| Education | | | | |
| Administration | 1,236,695 | 1,236,695 | 839,722 | 396,973 |
| Instruction | 15,370,350 | 15,370,350 | 15,848,766 | (478,416) |
| Operations and maintenance | 353,341 | 353,341 | 697,554 | (344,213) |
| Total education | 16,960,386 | 16,960,386 | 17,386,042 | (425,656) |
| Capital outlay | 706,683 | 706,683 | 975,442 | (268,759) |
| Total expenditures | 17,667,069 | 17,667,069 | 18,361,484 | (694,415) |
| Excess of revenues over expenditures | (1,012,003) | (1,012,003) | 163,853 | 1,175,856 |
| Other financing uses | | | | |
| Transfers in | 1,012,003 | 1,012,003 | 904,766 | (107,237) |
| Excess of revenues over expenditures and other financing uses | \$ - | \$ - | 1,068,619 | \$ 1,068,619 |
| Fund balance at beginning of year | | | (3,155,944) | |
| Net accruals and adjustments | | | | |
| Fund balance at end of year | | | \$ (2,087,325) | |

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit XIII

SCHOOL FOOD SERVICES FUND
BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

| | Original Budget | Amended Budget | Actual (Budgetary Basis) | Variance with Amended Budget |
|--|--------------------|-------------------|--------------------------------|---------------------------------------|
| | | | | Positive (Negative) |
| Revenues | | | | |
| Intergovernmental | | | | |
| From Commonwealth of Virginia | \$ 125,546 | \$ 125,546 | \$ 82,577 | \$ (42,969) |
| From federal government | 4,305,710 | 4,399,945 | 4,482,115 | 82,170 |
| Donated commodities from the federal government | 425,000 | 425,000 | 386,720 | (38,280) |
| Charges for services | 1,738,094 | 1,738,094 | 1,307,555 | (430,539) |
| Interest | - | - | 26,244 | 26,244 |
| Miscellaneous | 195,000 | 195,000 | 662,445 | 467,445 |
| Total revenues | 6,789,350 | 6,883,585 | 6,947,656 | 64,071 |
| Expenditures | | | | |
| Food services | 6,789,350 | 6,883,585 | 7,256,213 | (372,628) |
| Capital outlay | - | - | 60,127 | (60,127) |
| Total expenditures | 6,789,350 | 6,883,585 | 7,316,340 | (432,755) |
| Excess of revenues over expenditures | \$ - | \$ - | (368,684) | \$ (368,684) |
| Fund balance at beginning of year | | | 2,010,373 | |
| Decrease in reserve for inventory | | | (17,220) | |
| Fund balance at end of year | | | \$ 1,624,469 | |

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit XIV

SCHEDULE OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN (UNAUDITED)

Year Ended June 30, 2009

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Overfunded (Unfunded) | | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|--|----------------------------------|--------------------------------|-----------------|--------------------|--|
| | | | Actuarial Liability (UAAL) | Accrued Liability (UAAL) | | | |
| June 30, 2008 | \$ 26,548,549 | \$ 30,249,399 | \$ (3,700,850) | 87.77% | \$ 8,007,998 | 46.21% | |
| June 30, 2007 | 24,480,702 | 27,907,918 | (3,427,216) | 87.72% | 8,046,557 | 42.59% | |
| June 30, 2006 | 22,044,655 | 25,078,308 | (3,033,653) | 87.90% | 8,002,672 | 37.91% | |

SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFIT PLANS

Year Ended June 30, 2009

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Overfunded (Unfunded) | | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|--|----------------------------------|--------------------------------|-----------------|--------------------|--|
| | | | Actuarial Liability (UAAL) | Accrued Liability (UAAL) | | | |
| June 30, 2008 | \$ 650,000 | \$ 10,802,915 | \$ (10,152,915) | 6.02% | \$ 95,870,390 | 10.59% | |
| June 30, 2007 | - | 4,531,972 | (4,531,972) | 0.00% | 92,199,238 | 4.92% | |

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit XV

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2009

1. BUDGETS AND BUDGETARY ACCOUNTING

The budget data reflected in the financial statements was created by the School Board using the procedures which follow:

- 1) The School Board submits to the City Council of the City a proposed operating budget for the General and Special Revenue Funds for the forthcoming fiscal year by April 1. The legal level of budgetary control rests at the fund level for the General and Special Revenue Funds. Management control is exercised over the budgets at the budgetary line item level.
- 2) The budgets are legally enacted through passage of an ordinance by the City Council 45 days prior to the end of the current fiscal year.
- 3) The School Board is authorized to make transfers between budgetary line items; however, revisions that alter the total expenditures of the total budget must be approved by the City Council.
- 4) The General and Special Revenue Funds have a legally adopted annual budget. The General and Special Revenue Fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States, except for the recognition of encumbrances as expenditures. Budgets related to the School Construction Fund are adopted on a project basis.
- 5) The School Board employs encumbrance accounting under which obligations in the form of purchase orders, contracts and other commitments for the expenditure of funds are reported as reservations of fund balances, since they do not constitute expenditures or liabilities. Appropriations with outstanding commitments or encumbrances are carried into the following year. According to the City of Portsmouth, Virginia Code, unexpended, unencumbered appropriations lapse at the end of the year.

2. BUDGETARY NON-COMPLIANCE

The General Fund had expenditures and transfers in excess of appropriations of \$2,391,737. These over-expenditures were funded by additional revenues received in excess of the budgeted amounts. The additional revenues received were a result of increased enrollment.

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SUPPLEMENTARY INFORMATION

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CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Schedule 1

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

June 30, 2009

| | Print Shop | Risk Management | Total |
|---|-----------------------|----------------------------|---------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and temporary investments | \$ 736,942 | \$ 4,698,239 | \$ 5,435,181 |
| Due from other funds | 27,482 | - | 27,482 |
| Due from other agencies | 9,826 | - | 9,826 |
| Inventories | 35,562 | - | 35,562 |
| Total current assets | 809,812 | 4,698,239 | 5,508,051 |
| Noncurrent assets | | | |
| Capital assets | | | |
| Machinery and equipment | 977,583 | - | 977,583 |
| Less- accumulated depreciation | (924,663) | - | (924,663) |
| Total capital assets | 52,920 | - | 52,920 |
| Total assets | \$ 862,732 | \$ 4,698,239 | \$ 5,560,971 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Claims payable - current portion | \$ - | \$ 945,005 | \$ 945,005 |
| Salaries payable | 10,077 | - | 10,077 |
| Accounts payable | - | 61,625 | 61,625 |
| Total current liabilities | 10,077 | 1,006,630 | 1,016,707 |
| Noncurrent liabilities | | | |
| Claims payable - less current portion | - | 1,537,836 | 1,537,836 |
| Compensated absences | 55,709 | - | 55,709 |
| Total long-term liabilities | 55,709 | 1,537,836 | 1,593,545 |
| Total liabilities | 65,786 | 2,544,466 | 2,610,252 |
| NET ASSETS | | | |
| Invested in capital assets | 52,920 | - | 52,920 |
| Unrestricted | 744,026 | 2,153,773 | 2,897,799 |
| Total net assets | 796,946 | 2,153,773 | 2,950,719 |
| Total liabilities and net assets | \$ 862,732 | \$ 4,698,239 | \$ 5,560,971 |

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Schedule 2

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
 FUND NET ASSETS - INTERNAL SERVICE FUNDS**

Year Ended June 30, 2009

| | Print Shop | Risk Management | Total |
|---------------------------------------|-------------------|---------------------|---------------------|
| Operating revenues | | | |
| Charges for services | \$ 682,158 | \$ 791,662 | \$ 1,473,820 |
| Total operating revenues | <u>682,158</u> | <u>791,662</u> | <u>1,473,820</u> |
| Operating expenses | | | |
| Personnel services | 391,492 | - | 391,492 |
| Insurance claims and expenses | - | 1,139,010 | 1,139,010 |
| Contractual services | 87,685 | - | 87,685 |
| Repairs and maintenance | 35,177 | - | 35,177 |
| Other supplies and expenses | 170,517 | - | 170,517 |
| Depreciation and amortization | 7,884 | - | 7,884 |
| Total operating expenses | <u>692,755</u> | <u>1,139,010</u> | <u>1,831,765</u> |
| Operating loss | <u>(10,597)</u> | <u>(347,348)</u> | <u>(357,945)</u> |
| Nonoperating revenue | | | |
| Interest income | - | 109,905 | 109,905 |
| Insurance recovery | - | 83,075 | 83,075 |
| Total nonoperating revenue | <u>-</u> | <u>192,980</u> | <u>192,980</u> |
| Change in net assets | (10,597) | (154,368) | (164,965) |
| Net assets - beginning of year | <u>807,543</u> | <u>2,308,141</u> | <u>3,115,684</u> |
| Net assets - end of year | <u>\$ 796,946</u> | <u>\$ 2,153,773</u> | <u>\$ 2,950,719</u> |

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Schedule 3

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

Year Ended June 30, 2009

| | Print Shop | Risk Management | Total |
|--|-----------------------|----------------------------|---------------------|
| Cash flows from operating activities | | | |
| Received from customers and users | \$ 690,086 | \$ 791,662 | \$ 1,481,748 |
| Payments to suppliers for goods and services | (300,156) | (564,235) | (864,391) |
| Payments to employees | (385,175) | - | (385,175) |
| Net cash provided by operating activities | 4,755 | 227,427 | 232,182 |
| Cash flows from capital and related financing activities | | | |
| Purchase of capital assets | (28,001) | - | (28,001) |
| Net cash used in capital and related financing activities | (28,001) | - | (28,001) |
| Cash flows from investing activities | | | |
| Interest received | - | 109,905 | 109,905 |
| Insurance recovery | - | 83,075 | 83,075 |
| Net cash provided by investing activities | - | 192,980 | 192,980 |
| Net change in cash and temporary investments | (23,246) | 420,407 | 397,161 |
| Cash and temporary investments - beginning of year | 760,188 | 4,277,832 | 5,038,020 |
| Cash and temporary investments - end of year | \$ 736,942 | \$ 4,698,239 | \$ 5,435,181 |
| Reconciliation of operating loss to net cash provided by operating activities | | | |
| Operating loss | \$ (10,597) | \$ (347,348) | \$ (357,945) |
| Adjustments to reconcile net operating loss to net cash provided by operating activities | | | |
| Depreciation and amortization | 7,884 | - | 7,884 |
| Change in assets and liabilities: | | | |
| Due from other governments | 9,628 | - | 9,628 |
| Due from other funds | (1,700) | - | (1,700) |
| Inventories | 10,786 | - | 10,786 |
| Vouchers and accounts payable | (17,563) | 61,625 | 44,062 |
| Claims payable | - | 513,150 | 513,150 |
| Change in compensated absences | 6,317 | - | 6,317 |
| Total adjustments | 15,352 | 574,775 | 590,127 |
| Net cash provided by operating activities | \$ 4,755 | \$ 227,427 | \$ 232,182 |

Supplemental information on significant non-cash transactions

There were no significant non-cash transactions

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Schedule 4

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - STUDENT ACTIVITIES

Year Ended June 30, 2009

| ASSETS | Balance | | | Balance |
|--------------------------------|--------------|--------------|--------------|------------|
| | July 1, 2008 | Additions | Deductions | |
| Cash and temporary investments | \$ 689,943 | \$ 1,794,685 | \$ 1,753,413 | \$ 731,215 |
| LIABILITIES | | | | |
| Due to students | \$ 689,943 | \$ 1,794,685 | \$ 1,753,413 | \$ 731,215 |

STATISTICAL SECTION

(Unaudited)

This part of the City of Portsmouth, Virginia School Board's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

| | Page |
|---|-------|
| <i>Financial Trends</i> These schedules contain trend information to help the reader comprehend how the government's financial performance and well-being have changed over time. | 47-50 |
| <i>Revenue Capacity</i> These schedules contain information to help the reader assess the government's most significant local revenue source, food service sales. | 51 |
| <i>Debt Capacity</i> These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. | 52 |
| <i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. | 53-56 |
| <i>Operating Information</i> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. | 57-61 |

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 1

NET ASSETS BY COMPONENT (unaudited)

LAST EIGHT FISCAL YEARS

(accrual basis of accounting)

| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities | | | | | | | | |
| Invested in capital assets - net of related debt | \$ 52,248,227 | \$ 49,912,031 | \$ 44,931,980 | \$ 36,504,731 | \$ 38,854,790 | \$ 37,412,004 | \$ 34,173,737 | \$ 33,554,689 |
| Restricted: | | | | | | | | |
| OPEB | 617,670 | 371,495 | - | - | - | - | - | - |
| Grant compliance | - | - | 347,430 | 1,654,671 | 1,357,929 | 1,545,299 | - | - |
| Capital Projects | 829,897 | 4,203,589 | 4,384,612 | - | - | - | - | - |
| Unrestricted | 24,154,951 | 15,786,355 | 9,034,546 | 9,057,344 | 4,757,151 | 4,910,804 | 8,854,713 | 5,668,611 |
| Total governmental activities net assets | \$ 77,850,745 | \$ 70,273,470 | \$ 58,698,568 | \$ 47,216,746 | \$ 44,969,870 | \$ 43,868,107 | \$ 43,028,450 | \$ 39,223,300 |

Note: PPS converted financial records to GASB34 format in 2002. PPS opted not to convert data prior to 2002 to GASB34 format.

Source: Comprehensive Annual Financial Report for the relevant year

Table 2

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

CHANGES IN NET ASSETS (unaudited)**LAST EIGHT FISCAL YEARS**

(accrual basis of accounting)

| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|-------------------------|-------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Expenses | | | | | | | | |
| Governmental activities | | | | | | | | |
| Administration | \$ 5,655,194 | \$ 5,281,050 | \$ 3,808,174 | \$ 3,386,754 | \$ 3,086,711 | \$ 3,416,935 | \$ 2,656,805 | \$ 2,827,948 |
| Instruction | 126,005,907 | 118,518,877 | 115,070,507 | 103,745,706 | 99,863,747 | 94,328,782 | 89,488,370 | 89,485,404 |
| Attendance and health services | 3,603,084 | 3,212,266 | 3,213,924 | 3,277,834 | 2,836,441 | 3,023,549 | 3,024,078 | 2,702,121 |
| Pupil transportation | 7,273,274 | 7,359,321 | 6,605,055 | 6,332,823 | 5,429,111 | 5,332,389 | 4,586,066 | 4,200,016 |
| Operations and maintenance | 18,619,097 | 15,492,941 | 14,914,931 | 16,498,396 | 15,652,607 | 15,047,717 | 15,782,128 | 14,159,569 |
| Information technology | 5,703,015 | 5,998,593 | 4,756,984 | 4,949,187 | 3,740,252 | 970,603 | - | - |
| Food service | 7,258,248 | 6,940,737 | 6,704,880 | 6,657,855 | 6,561,790 | 6,328,371 | 6,534,184 | 6,625,435 |
| Interest on long-term debt | 258,233 | 296,789 | 297,069 | 371,917 | 11,383 | 17,314 | 33,600 | 30,777 |
| Total primary government | <u>\$ 174,376,052</u> | <u>\$ 163,100,574</u> | <u>\$ 155,371,524</u> | <u>\$ 145,220,472</u> | <u>\$ 137,182,042</u> | <u>\$ 128,465,660</u> | <u>\$ 122,105,231</u> | <u>\$ 120,031,270</u> |
| Program Revenues | | | | | | | | |
| Governmental activities | | | | | | | | |
| Charges for services | | | | | | | | |
| Food Services | \$ 2,338,403 | \$ 1,731,977 | \$ 1,878,133 | \$ 2,084,713 | \$ 1,843,734 | \$ 1,788,902 | \$ 1,814,162 | \$ 1,609,687 |
| Pupil Transportation | 499,889 | 496,259 | 491,238 | 196,116 | 322,544 | 399,928 | 120,492 | 88,759 |
| Other | 451,267 | 399,121 | 408,874 | 496,585 | 248,717 | 606,902 | 971,996 | 651,999 |
| Operating grants and contributions | | | | | | | | |
| Instruction | 46,544,936 | 51,935,625 | 46,477,689 | 40,985,761 | 38,732,541 | 32,672,298 | 35,153,109 | 34,200,843 |
| Food Services | 4,951,412 | 4,891,034 | 4,874,151 | 4,782,084 | 4,686,574 | 4,410,062 | 4,642,097 | 4,801,461 |
| Other | - | - | - | - | - | 577 | 96,377 | 419,195 |
| Capital grants and contributions | 1,455,056 | 1,879,933 | 1,688,185 | 1,912,088 | 2,345,261 | 4,627,153 | 4,354,378 | 10,176,902 |
| Total governmental activities program revenue | <u>\$ 56,240,963</u> | <u>\$ 61,333,949</u> | <u>\$ 55,818,270</u> | <u>\$ 50,457,347</u> | <u>\$ 48,179,371</u> | <u>\$ 44,505,822</u> | <u>\$ 47,152,611</u> | <u>\$ 51,948,846</u> |
| Net (Expense)/Revenue | | | | | | | | |
| Governmental activities | <u>\$ (118,135,089)</u> | <u>\$ (101,766,625)</u> | <u>\$ (99,553,254)</u> | <u>\$ (94,763,125)</u> | <u>\$ (89,002,671)</u> | <u>\$ (83,959,838)</u> | <u>\$ (74,952,620)</u> | <u>\$ (68,082,424)</u> |
| General Revenues and Other Changes in Net Assets | | | | | | | | |
| Governmental activities | | | | | | | | |
| Unrestricted grants and contributions | \$ 123,606,569 | \$ 111,806,654 | \$ 110,786,754 | \$ 96,768,950 | \$ 89,873,769 | \$ 82,412,727 | \$ 78,615,389 | \$ 75,857,334 |
| Investment earnings | 498,527 | 945,002 | 793,744 | 630,641 | 199,291 | 90,611 | 112,636 | 181,064 |
| Miscellaneous | 1,607,268 | 589,871 | 209,103 | 27,774 | 31,374 | 14,637 | 29,745 | 10,605 |
| Special Item | - | - | - | (784,133) | - | (116,789) | - | - |
| Total governmental activities | <u>\$ 125,712,364</u> | <u>\$ 113,341,527</u> | <u>\$ 111,789,601</u> | <u>\$ 96,643,232</u> | <u>\$ 90,104,434</u> | <u>\$ 82,401,186</u> | <u>\$ 78,757,770</u> | <u>\$ 76,049,003</u> |
| Change in Net Assets | | | | | | | | |
| Governmental activities | <u>\$ 7,577,275</u> | <u>\$ 11,574,902</u> | <u>\$ 12,236,347</u> | <u>\$ 1,880,107</u> | <u>\$ 1,101,763</u> | <u>\$ (1,558,652)</u> | <u>\$ 3,805,150</u> | <u>\$ 7,966,579</u> |

Note: PPS converted financial records to GASB34 format in 2002. PPS opted not to convert data prior to 2002 to GASB34 format.

Source: Comprehensive Annual Financial Report for the relevant year

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 3

FUND BALANCES, GOVERNMENTAL FUNDS (unaudited)
LAST EIGHT FISCAL YEARS
(modified accrual basis of accounting)

| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund | | | | | | | | |
| Reserved | \$ 4,445,477 | \$ 5,831,280 | \$ 4,500,831 | \$ 4,725,734 | \$ 5,927,212 | \$ 6,235,088 | \$ 8,639,022 | \$ 7,128,870 |
| Total General Fund | \$ 4,445,477 | \$ 5,831,280 | \$ 4,500,831 | \$ 4,725,734 | \$ 5,927,212 | \$ 6,235,088 | \$ 8,639,022 | \$ 7,128,870 |
| All Other Governmental Funds | | | | | | | | |
| Reserved | | | | | | | | |
| Grants | \$ - | \$ - | \$ 347,430 | \$ 1,654,671 | \$ 1,357,929 | \$ 1,545,299 | \$ - | \$ - |
| Food Services | 153,171 | 76,521 | 36,728 | 38,237 | 32,001 | 34,965 | 68,388 | 90,781 |
| Capital Projects | 7,489,787 | 9,527,957 | 5,916,981 | - | 1,129,244 | 3,736,089 | - | - |
| Textbook | 297,614 | 330,263 | 308,882 | - | - | - | - | - |
| Unreserved, reported in | | | | | | | | |
| Grants | (2,087,325) | (3,155,944) | (993,945) | (470,375) | (159,155) | (536,786) | - | - |
| Food Services | 1,471,298 | 1,933,852 | 2,317,143 | 2,319,131 | 2,240,739 | 2,252,567 | 2,355,468 | 2,409,253 |
| Capital Projects | 10,893,729 | 2,877,337 | 2,882,639 | 7,140,000 | 18,277 | (2,266,708) | 2,022,253 | 411,373 |
| Textbook | 1,833,731 | 665,597 | 104,804 | - | - | - | - | - |
| Total all other governmental funds | \$ 20,052,005 | \$ 12,255,583 | \$ 10,920,662 | \$ 10,681,664 | \$ 4,619,035 | \$ 4,765,426 | \$ 4,446,109 | \$ 2,911,407 |

Note: PPS converted financial records to GASB34 format in 2002. PPS opted not to convert data prior to 2002 to GASB34 format.

Source: Comprehensive Annual Financial Report for the relevant year

Table 4

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (unaudited)
LAST EIGHT FISCAL YEARS
(modified accrual basis of accounting)

| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|---------------------|---------------------|--------------------|-----------------------|---------------------|-----------------------|---------------------|---------------------|
| Revenues | | | | | | | | |
| Intergovernmental | | | | | | | | |
| Federal grants | \$ 18,554,771 | \$ 15,003,073 | \$ 18,013,124 | \$ 18,255,075 | \$ 17,608,987 | \$ 16,115,547 | \$ 15,919,634 | \$ 14,534,710 |
| Federal donated commodities | - | - | - | - | - | - | 385,996 | 394,177 |
| State grants and other | 109,377,771 | 102,341,706 | 101,872,969 | 89,004,492 | 86,360,715 | 78,750,543 | 78,346,433 | 78,617,044 |
| City of Portsmouth | 49,862,858 | 50,002,154 | 42,936,433 | 36,939,444 | 31,543,601 | 28,802,407 | 28,166,130 | 31,563,811 |
| Local | | | | | | | | |
| Charges for services | 1,316,139 | 1,255,369 | 1,408,694 | 1,425,495 | 1,388,465 | 1,383,724 | 1,534,025 | 1,429,548 |
| Interest | 388,622 | 822,311 | 759,818 | 557,804 | 174,968 | 74,954 | 107,714 | 179,058 |
| Miscellaneous | 3,497,614 | 2,256,972 | 1,984,185 | 1,761,915 | 1,393,791 | 1,658,997 | 1,400,470 | 1,344,498 |
| | <u>182,997,775</u> | <u>171,681,585</u> | <u>166,975,223</u> | <u>147,944,225</u> | <u>138,470,527</u> | <u>126,786,172</u> | <u>125,860,402</u> | <u>128,062,846</u> |
| Expenditures | | | | | | | | |
| Education | | | | | | | | |
| Administration | 5,643,305 | 5,307,991 | 3,851,694 | 3,367,420 | 3,077,453 | 3,065,160 | 2,641,677 | 2,795,487 |
| Instruction | 116,852,905 | 115,371,028 | 116,186,858 | 101,365,515 | 95,286,713 | 91,141,849 | 86,297,662 | 84,817,579 |
| Attendance and health services | 3,599,974 | 3,232,828 | 3,260,561 | 3,270,297 | 2,838,577 | 3,014,440 | 3,026,725 | 2,678,998 |
| Pupil transportation | 6,937,753 | 7,110,037 | 5,873,848 | 5,899,213 | 5,017,220 | 4,826,015 | 4,258,871 | 3,744,564 |
| Information technology | 5,670,499 | 6,011,697 | 4,741,880 | 4,858,538 | 3,680,937 | 921,747 | - | - |
| Operation and maintenance | 18,479,476 | 15,506,446 | 14,850,521 | 16,374,494 | 15,554,177 | 15,002,639 | 11,639,729 | 11,567,097 |
| Food services | 7,196,433 | 6,833,774 | 6,751,691 | 6,579,699 | 6,500,155 | 6,278,051 | 6,462,611 | 6,717,219 |
| Debt service | | | | | | | | |
| Principal | 525,848 | 482,776 | 388,469 | - | - | - | - | - |
| Interest | 297,266 | 296,789 | 366,769 | - | - | - | 10,643 | 247,616 |
| Capital outlay | 11,383,697 | 8,862,849 | 10,688,837 | 9,853,137 | 6,955,168 | 7,063,486 | 8,102,289 | 14,095,068 |
| Total Expenditures | 176,587,156 | 169,016,215 | 166,961,128 | 151,568,313 | 138,910,400 | 131,313,387 | 122,440,207 | 126,663,628 |
| Excess (deficiency) of revenues over expenditures | | | | | | | | |
| | <u>6,410,619</u> | <u>2,665,370</u> | <u>14,095</u> | <u>(3,624,088)</u> | <u>(439,873)</u> | <u>(4,527,215)</u> | <u>3,420,195</u> | <u>1,399,218</u> |
| Other financing sources (uses) | | | | | | | | |
| Transfers in | 11,720,790 | 7,296,159 | 5,971,239 | 3,497,412 | 774,354 | 867,642 | 739,399 | 855,411 |
| Transfers out | (11,720,790) | (7,296,159) | (5,971,239) | (3,497,412) | (774,354) | (867,642) | (739,399) | (855,411) |
| Total Other Financing Sources (Uses) | - | - | - | - | - | - | - | - |
| Total Net Change in Fund Balances | \$ 6,410,619 | \$ 2,665,370 | \$ 14,095 | \$ (3,624,088) | \$ (439,873) | \$ (4,527,215) | \$ 3,420,195 | \$ 1,399,218 |
| Ratio of debt service expenditures to noncapital expenditures | 0.50% | 0.49% | 0.49% | 0.00% | 0.00% | 0.00% | 0.01% | 0.22% |

Note: PPS converted financial records to GASB34 format in 2002. PPS opted not to convert data prior to 2002 to GASB34 format.

Source: Comprehensive Annual Financial Report for relevant year

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 5

OPERATING INDICATORS (unaudited)

OWN SOURCE REVENUE

LAST EIGHT FISCAL YEARS

| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Enrollment Level | | | | | | | | |
| Elementary | 8,321 | 8,193 | 8,538 | 8,575 | 7,410 | 7,766 | 7,887 | 8,266 |
| Middle | 2,080 | 2,031 | 2,034 | 2,350 | 3,615 | 3,587 | 3,755 | 3,760 |
| High | 4,020 | 3,982 | 4,191 | 4,510 | 4,252 | 4,445 | 4,207 | 4,058 |
| Special Centers | 666 | 697 | 483 | 591 | 802 | 695 | 128 | 178 |
| School Lunches | | | | | | | | |
| Full | \$ 122,420 | \$ 637,770 | \$ 642,493 | \$ 635,614 | \$ 577,682 | \$ 653,222 | \$ 660,768 | \$ 707,094 |
| Reduced | 313,566 | 140,030 | 151,055 | 150,229 | 155,677 | 152,257 | 169,783 | 194,008 |
| Free | 2,511,373 | 972,755 | 993,511 | 1,030,888 | 1,060,674 | 1,022,152 | 1,077,868 | 1,124,657 |
| Total | \$ 2,947,359 | \$ 1,750,555 | \$ 1,787,059 | \$ 1,816,731 | \$ 1,794,033 | \$ 1,827,631 | \$ 1,908,419 | \$ 2,025,759 |
| School Breakfasts | | | | | | | | |
| Full | \$ 99,421 | \$ 430,486 | \$ 475,673 | \$ 482,397 | \$ 462,233 | \$ 1,827,631 | \$ 411,773 | \$ 392,994 |
| Reduced | 141,497 | 107,301 | 122,279 | 119,640 | 113,906 | 426,531 | 110,177 | 108,858 |
| Free | 1,174,088 | 730,901 | 784,313 | 800,387 | 794,766 | 110,777 | 837,780 | 891,695 |
| Total | \$ 1,415,007 | \$ 1,268,688 | \$ 1,382,265 | \$ 1,402,424 | \$ 1,370,905 | \$ 2,364,939 | \$ 1,359,730 | \$ 1,393,547 |
| Meal Prices | | | | | | | | |
| Breakfast | | | | | | | | |
| Elementary | Free |
| Middle | Free |
| High | Free |
| Adult Ed | \$ 1.00 | \$ 0.60 | \$ 0.60 | \$ 0.60 | \$ 0.50 | \$ 0.50 | \$ 0.50 | \$ 0.50 |
| Lunches | | | | | | | | |
| Elementary | \$ 1.25 | \$ 1.25 | \$ 0.85 | \$ 0.85 | \$ 0.75 | \$ 0.75 | \$ 0.65 | \$ 0.65 |
| Middle | 1.25 | 1.25 | 0.95 | 0.95 | 0.85 | 0.85 | 0.75 | 0.75 |
| High | 1.25 | 1.25 | 0.95 | 0.95 | 0.85 | 0.85 | 0.75 | 0.75 |
| Reduced | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 |
| Adult Ed | 2.75 | 2.75 | 2.00 | 2.00 | 1.75 | 1.75 | 1.50 | 1.50 |

Note: PPS converted financial records to GASB34 format in 2002. To be consistent with GASB34 conversion year, all non-financial tables are presented from 2002.

Source: Portsmouth Public Schools - Food Services Division

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 6

CAPITAL LEASES (unaudited)

| Year | Principal | Interest | Total Payment | Guaranteed Savings per Year | Percentage of Guaranteed Savings per Year | Total Percentage of Guaranteed Savings |
|------|---------------------|---------------------|---------------------|-----------------------------|---|--|
| | | | | | 1 | 2 |
| 2009 | \$ 571,338 | \$ 278,856 | \$ 850,194 | \$ 853,899 | 99.56605% | 9.80067% |
| 2010 | 619,364 | 256,335 | 875,699 | 879,516 | 99.56605% | 10.09469% |
| 2011 | 670,048 | 231,922 | 901,970 | 905,901 | 99.56608% | 10.39753% |
| 2012 | 723,518 | 205,511 | 929,029 | 933,078 | 99.56607% | 10.70945% |
| 2013 | 779,908 | 176,992 | 956,900 | 961,071 | 99.56605% | 11.03074% |
| 2014 | 839,356 | 146,251 | 985,607 | 989,903 | 99.56603% | 11.36166% |
| 2015 | 902,009 | 113,166 | 1,015,175 | 1,019,600 | 99.56605% | 11.70251% |
| 2016 | 968,018 | 77,612 | 1,045,630 | 1,050,188 | 99.56601% | 12.05358% |
| 2017 | 1,001,007 | 39,456 | 1,040,463 | 1,081,694 | 96.18832% | 11.99402% |
| | <u>\$ 7,074,566</u> | <u>\$ 1,526,103</u> | <u>\$ 8,600,669</u> | <u>\$ 8,674,850</u> | | |

Source: Citimortgage Master lease Rental Payment Schedule

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 7

DEMOGRAPHIC AND ECONOMIC STATISTICS (unaudited)
LAST EIGHT FISCAL YEARS

| Year | Population | Personal Income (thousands if dollars) | | Per Capita Personal Income | Median Age | School Enrollment | Unemployment Rate |
|------|------------|---|-----------|-------------------------------------|---------------|----------------------|----------------------|
| | (1) | (3) | (3) | (1) | (2) | (1) | |
| 2009 | 100,577 | | * | * | 34.4 | 14,331 | 5.20% |
| 2008 | 101,967 | | * | * | 34.9 | 14,287 | 4.20% |
| 2007 | 99,546 | \$ | 3,061,000 | \$ 30,029 | 34.8 | 14,990 | 4.30% |
| 2006 | 98,318 | | 2,908,000 | 28,866 | 34.8 | 15,243 | 4.90% |
| 2005 | 100,169 | | 1,834,195 | 27,799 | 34.9 | 15,309 | 6.20% |
| 2004 | 97,800 | | 1,542,795 | 25,171 | 34.4 | 15,642 | 6.90% |
| 2003 | 97,600 | | 1,539,640 | 23,835 | 34.4 | 15,928 | 6.30% |
| 2002 | 98,400 | | 1,552,260 | 22,173 | 34.4 | 16,221 | 6.30% |

* Information not available at this time

Note: PPS converted financial records to GASB34 format in 2002. To be consistent with GASB34 conversion year, all non-financial tables are presented from 2002.

(1) Source: Economic Development Office - City of Portsmouth

(2) Source: Average Daily Membership submitted to the Virginia Department of Education by the Portsmouth Public School System

(3) Source: Bureau of Economic Analysis, U.S. Department of Commerce Per Capita Income as of December 31.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 8

PRINCIPAL EMPLOYERS (unaudited)
LAST SEVEN FISCAL YEARS

| Employer | 2008 | | 2007 | | 2006 | | 2005 | | 2004 | | 2003 | | 2002 | |
|--|--|-----------|--------------------------------|-----------|--------------------------------|-----------|--------------------------------|-----------|--------------------------------|-----------|--------------------------------|-----------|--------------------------------|-----------|
| | Percentage of Total City Employment | | Percentage of Total City | |
| | Employees | Employees | Employees | Employees | Employees | Employees | Employees | Employees | Employees | Employees | Employees | Employees | Employees | Employees |
| Norfolk Naval Shipyard | 8,000 | 17.42% | 7,500 | 16.12% | 7,700 | 16.95% | 7,600 | 16.85% | 7,600 | 15.97% | 7,800 | 16.66% | 7,800 | 16.81% |
| Naval Medical Center | 5,400 | 11.76% | 5,400 | 11.60% | 5,400 | 11.89% | 5,463 | 12.11% | 5,463 | 11.48% | 5,000 | 10.68% | 5,000 | 10.78% |
| Portsmouth Public Schools | 2,400 | 5.22% | 2,507 | 5.39% | 2,500 | 5.50% | 2,500 | 5.54% | 2,700 | 5.67% | 2,801 | 5.98% | 2,801 | 6.04% |
| City of Portsmouth | 2,645 | 5.76% | 2,605 | 5.60% | 2,558 | 5.63% | 2,542 | 5.64% | 2,448 | 5.14% | 2,406 | 5.14% | 2,406 | 5.19% |
| Maryview Medical Center, Bon Secours | 2,000 | 4.35% | 2,200 | 4.73% | 2,200 | 4.84% | 2,200 | 4.88% | 2,000 | 4.20% | 1,987 | 4.25% | 1,987 | 4.28% |
| US Fifth District Coast Guard Command | 1,500 | 3.27% | 1,500 | 3.22% | 1,500 | 3.30% | 1,500 | 3.33% | 1,400 | 2.94% | 1,900 | 4.06% | 1,900 | 4.10% |
| The Pines Residential Treatment Center | 800 | 1.74% | 800 | 1.72% | 800 | 1.76% | 800 | 1.77% | 800 | 1.68% | 700 | 1.50% | 700 | 1.51% |
| Gwaltney of Smithfield | 500 | 1.09% | 500 | 1.07% | 500 | 1.10% | 440 | 0.98% | 520 | 1.09% | 504 | 1.08% | 504 | 1.09% |
| Southeastern Public Service Authority | 230 | 0.50% | 445 | 0.96% | 485 | 1.07% | 473 | 1.05% | 473 | 0.99% | 420 | 0.90% | 420 | 0.91% |
| Earl Industries LLC | 571 | 1.24% | 615 | 1.32% | 500 | 1.10% | 414 | 0.92% | 850 | 1.79% | 400 | 0.85% | 400 | 0.86% |
| Renaissance Portsmouth Hotel | 150 | 0.33% | 150 | 0.32% | 161 | 0.35% | 161 | 0.36% | 161 | 0.34% | 225 | 0.48% | 225 | 0.48% |
| Moon Engineering Co., Inc. | - | - | - | - | - | - | - | - | - | - | 204 | 0.44% | 204 | 0.44% |
| WAVY-TV | 177 | 0.39% | 177 | 0.38% | 187 | 0.41% | 187 | 0.41% | 187 | 0.39% | 184 | 0.39% | 184 | 0.40% |
| CDI Marine Co. Inc. | 330 | 0.72% | 290 | 0.62% | 290 | 0.64% | 290 | 0.64% | 290 | 0.61% | 176 | 0.38% | 176 | 0.38% |
| APM Terminals (Maersak) | 160 | 0.35% | - | - | - | - | - | - | - | - | - | - | - | - |
| Universal Maritime Services Corp. | - | - | - | - | - | - | - | - | - | - | 160 | 0.34% | 160 | 0.34% |
| John E. Hall Electrical Construction | 166 | 0.36% | 166 | 0.36% | 130 | 0.29% | 130 | 0.29% | 150 | 0.32% | 150 | 0.32% | 150 | 0.32% |
| Lindab, Inc. | 150 | 0.33% | 115 | 0.25% | 140 | 0.31% | 115 | 0.25% | 134 | 0.28% | 142 | 0.30% | - | 0.00% |
| Wal-mart Supercenter | 350 | 0.76% | 386 | 0.83% | - | - | - | - | - | - | - | - | - | - |
| | 25,529 | 55.58% | 25,356 | 54.49% | 25,051 | 55.14% | 24,815 | 55.01% | 25,176 | 52.91% | 25,159 | 53.75% | 25,017 | 53.92% |
| Civilian Labor Force | 45,934 | | 46,533 | | 45,435 | | 45,108 | | 47,582 | | 46,807 | | 46,398 | |

* 2009 Data unavailable from City of Portsmouth Economic Development - information reported is a year behind the current year

Note: PPS converted financial records to GASB34 format in 2002. To be consistent with GASB34 conversion year, all non-financial tables are presented from 2002.

Source: Economic Development - City of Portsmouth

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 9

EMPLOYEES BY CLASS CODE (unaudited)
LAST EIGHT FISCAL YEARS

| | Employee Count | | | | | | | |
|----------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| School board members | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Superintendent | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Assistant superintendents | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 |
| Directors | 11 | 10 | 10 | 10 | 8 | 7 | 7 | 7 |
| Coordinators | 8 | 8 | 11 | 12 | 13 | 13 | 13 | 14 |
| Education specialists | 14 | 17 | 6 | 5 | 10 | 11 | 12 | 14 |
| Supervisors | 38 | 40 | 38 | 35 | 28 | 23 | 16 | 15 |
| Principals | 25 | 25 | 25 | 25 | 25 | 25 | 24 | 27 |
| Assistant principals | 34 | 34 | 33 | 31 | 32 | 30 | 30 | 30 |
| Teachers | 1,144 | 1,094 | 1,131 | 1,149 | 1,165 | 1,142 | 1,143 | 1,193 |
| Guidance and other counselors | 47 | 47 | 46 | 47 | 47 | 49 | 43 | 43 |
| Librarians | 26 | 25 | 23 | 25 | 26 | 27 | 29 | 29 |
| Speech therapists | 27 | 24 | 26 | 0 | 14 | 17 | 20 | 22 |
| School social workers | 9 | 9 | 8 | 8 | 8 | 8 | 10 | 9 |
| Home school liaisons | 2 | 2 | 4 | 10 | 3 | 14 | 12 | 12 |
| Medical staff | 32 | 33 | 31 | 31 | 29 | 29 | 30 | 35 |
| Psychologists | 11 | 11 | 11 | 10 | 9 | 11 | 11 | 10 |
| Secretaries | 164 | 156 | 168 | 160 | 160 | 154 | 156 | 162 |
| Paraprofessionals | 270 | 258 | 268 | 298 | 291 | 322 | 318 | 336 |
| Bus drivers and monitors | 173 | 161 | 170 | 167 | 169 | 168 | 167 | 169 |
| Operations and maintenance staff | 182 | 189 | 201 | 200 | 201 | 209 | 205 | 217 |
| School crossing guards | 44 | 37 | 36 | 39 | 43 | 45 | 42 | 46 |
| In school suspension | 8 | 8 | 7 | 8 | 7 | 6 | 6 | 7 |
| Special police officers | 23 | 18 | 18 | 21 | 16 | 22 | 20 | 22 |
| Print shop personnel | 5 | 4 | 5 | 4 | 4 | 4 | 4 | 4 |
| Cafeteria staff | 137 | 136 | 147 | 161 | 151 | 170 | 174 | 182 |
| Purchasing personnel | 2 | 1 | 1 | 5 | 2 | 2 | 0 | 0 |
| Other | 34 | 7 | 10 | 0 | 23 | 1 | 7 | 8 |
| | 2,482 | 2,366 | 2,446 | 2,473 | 2,496 | 2,521 | 2,511 | 2,626 |

Note: PPS converted financial records to GASB34 format in 2002. To be consistent with GASB34 conversion year, all non-financial tables are presented from 2002.

Source: Portsmouth Public Schools - Budget and Planning Department

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 10

TEACHERS - TOTAL NUMBER, AVERAGE AGE, AVERAGE SALARY (unaudited)

| | Number of Teachers | Average Teacher Age | Average Teacher Salary | Education Level | | | |
|-------------|--------------------|---------------------|------------------------|-----------------|-----|-----|-----|
| | | | | BA | MA | CAS | PHD |
| 2009 | | | | | | | |
| Elementary | 577 | 44.0 | \$ 47,740 | 238 | 314 | 24 | 1 |
| Middle | 159 | 45.0 | 47,503 | 36 | 115 | 8 | 0 |
| High | 268 | 47.0 | 50,656 | 202 | 52 | 12 | 2 |
| Other | 105 | 46.0 | 46,513 | 1 | 83 | 17 | 4 |
| 2008 | | | | | | | |
| Elementary | 625 | 43.4 | 47,149 | 317 | 285 | 22 | 1 |
| Middle | 169 | 45.9 | 47,720 | 102 | 63 | 4 | 0 |
| High | 286 | 46.7 | 49,210 | 164 | 107 | 13 | 2 |
| Other | 68 | 48.2 | 54,040 | 27 | 26 | 13 | 2 |
| 2007 | | | | | | | |
| Elementary | 534 | 42.8 | 45,376 | 197 | 324 | 11 | 2 |
| Middle | 202 | 44.9 | 45,100 | 123 | 76 | 2 | 1 |
| High | 287 | 46.4 | 45,128 | 157 | 119 | 7 | 4 |
| Other | 22 | 46.9 | 49,637 | 7 | 4 | 10 | 1 |
| 2006 | | | | | | | |
| Elementary | 628 | 42.5 | 44,048 | 368 | 244 | 8 | 2 |
| Middle | 195 | 44.3 | 44,675 | 133 | 58 | 2 | 1 |
| High | 285 | 45.9 | 45,941 | 185 | 92 | 5 | 3 |
| Other | 28 | 45.8 | 49,934 | 14 | 10 | 1 | 0 |

Note: Information for years prior to 2006 is not available - records not converted to new database.

Source: Portsmouth Public Schools - Human Resource Department

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 11

CAPITAL ASSETS STATISTICS (unaudited)
LAST EIGHT FISCAL YEARS

| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Building | | | | | | | | |
| Elementary | 14 | 17 | 17 | 17 | 17 | 17 | 18 | 18 |
| Middle | 3 | 3 | 3 | 4 | 5 | 5 | 5 | 5 |
| High | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Other | 4 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Fleet | | | | | | | | |
| School Buses | 141 | 132 | 144 | 130 | 129 | 143 | 130 | 144 |
| Other | 71 | 69 | 59 | 65 | 63 | 55 | 58 | 57 |
| Athletics | | | | | | | | |
| Football Fields | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 2 |
| Running Tracks | 3 | 3 | 2 | 3 | 3 | 3 | 3 | 3 |
| Baseball/Softball | 9 | 9 | 3 | 3 | 3 | 3 | 3 | 3 |
| Playgrounds | 17 | 17 | 15 | 17 | 17 | 17 | 18 | 18 |

Note: PPS converted financial records to GASB34 format in 2002. To be consistent with GASB34 conversion year, all non-financial tables are presented from 2002.

Source: Portsmouth Public Schools - Transportation Division
 Portsmouth Public Schools - Athletics Department
 Portsmouth Public Schools - Operations Division

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 12

SCHOOL BUILDING INFORMATION (unaudited)
LAST EIGHT FISCAL YEARS

| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Elementary Schools: | | | | | | | | |
| Brighton | | | | | | | | |
| Square feet | 56,566 | 56,566 | 56,566 | 56,566 | 56,566 | 33,564 | 33,564 | 33,564 |
| Capacity (Students) | 650 | 650 | 650 | 650 | 650 | 320 | 320 | 320 |
| Enrollment | 598 | 669 | 701 | 660 | 571 | 304 | 319 | 335 |
| Churchland Academy | | | | | | | | |
| Square feet | 96,000 | 96,000 | 96,000 | 96,000 | 96,000 | 96,000 | 96,000 | 96,000 |
| Capacity (Students) | 914 | 914 | 914 | 914 | 914 | 914 | 914 | 914 |
| Enrollment | 947 | 999 | 1,042 | 1,033 | 917 | 947 | 979 | 1,062 |
| Churchland Elementary | | | | | | | | |
| Square feet | 66,586 | 66,586 | 66,586 | 61,612 | 61,612 | 61,612 | 61,612 | 61,612 |
| Capacity (Students) | 715 | 715 | 634 | 634 | 587 | 587 | 587 | 587 |
| Enrollment | 657 | 710 | 721 | 644 | 543 | 578 | 563 | 585 |
| Churchland Primary | | | | | | | | |
| Square feet | 63,800 | 63,800 | 63,800 | 63,800 | 63,800 | 63,800 | 63,800 | 63,800 |
| Capacity (Students) | 600 | 600 | 608 | 608 | 608 | 608 | 608 | 608 |
| Enrollment | 529 | 514 | 598 | 606 | 530 | 520 | 589 | 557 |
| Douglass Park | | | | | | | | |
| Square feet | 73,755 | 73,755 | 73,755 | 73,398 | 73,398 | 73,398 | 73,398 | 73,775 |
| Capacity (Students) | 800 | 800 | 703 | 906 | 703 | 703 | 703 | 703 |
| Enrollment | 520 | 697 | 679 | 774 | 668 | 689 | 681 | 576 |
| Victory Elementary | | | | | | | | |
| Square feet | 78,142 | 78,142 | 78,142 | 51,613 | 51,613 | 51,613 | 51,613 | 51,613 |
| Capacity (Students) | 540 | 540 | 744 | 492 | 492 | 492 | 492 | 492 |
| Enrollment | 533 | 264 | 347 | 0 | 0 | 0 | 0 | 355 |
| Hodges Manor | | | | | | | | |
| Square feet | 50,133 | 50,133 | 50,133 | 47,633 | 47,633 | 47,633 | 47,633 | 47,633 |
| Capacity (Students) | 600 | 600 | 477 | 477 | 454 | 454 | 454 | 454 |
| Enrollment | 520 | 582 | 526 | 485 | 401 | 475 | 481 | 473 |
| James Hurst | | | | | | | | |
| Square feet | 63,525 | 63,525 | 63,525 | 63,525 | 63,525 | 63,525 | 63,525 | 63,525 |
| Capacity (Students) | 775 | 775 | 605 | 605 | 605 | 605 | 605 | 605 |
| Enrollment | 635 | 734 | 755 | 791 | 622 | 709 | 758 | 751 |
| Lakeview | | | | | | | | |
| Square feet | 60,009 | 60,009 | 60,009 | 54,349 | 54,349 | 54,349 | 54,349 | 54,349 |
| Capacity (Students) | 660 | 660 | 605 | 572 | 518 | 518 | 518 | 518 |
| Enrollment | 592 | 623 | 664 | 641 | 489 | 544 | 531 | 572 |
| Olive Branch | | | | | | | | |
| Square feet | 32,700 | 32,700 | 32,700 | 30,700 | 30,700 | 30,700 | 30,700 | 30,700 |
| Capacity (Students) | 455 | 455 | 311 | 311 | 311 | 311 | 311 | 311 |
| Enrollment | 347 | 430 | 464 | 428 | 342 | 350 | 367 | 376 |
| Park View | | | | | | | | |
| Square feet | 79,998 | 31,748 | 31,748 | 26,548 | 26,548 | 26,548 | 26,548 | 26,548 |
| Capacity (Students) | 762 | 500 | 302 | 302 | 302 | 302 | 302 | 302 |
| Enrollment | 676 | 409 | 398 | 394 | 357 | 344 | 333 | 333 |

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 12

SCHOOL BUILDING INFORMATION (unaudited)
LAST EIGHT FISCAL YEARS

| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Simondale | | | | | | | | |
| Square feet | 33,300 | 33,300 | 33,300 | 33,300 | 33,300 | 33,300 | 33,300 | 33,300 |
| Capacity (Students) | 325 | 325 | 317 | 317 | 317 | 317 | 317 | 317 |
| Enrollment | 260 | 311 | 284 | 286 | 278 | 281 | 303 | 295 |
| John Tyler | | | | | | | | |
| Square feet | 106,749 | 106,749 | 106,749 | 106,749 | 106,749 | 106,749 | 106,749 | 106,749 |
| Capacity (Students) | 700 | 700 | 581 | 597 | 546 | 546 | 546 | 367 |
| Enrollment | 687 | 641 | 660 | 689 | 628 | 604 | 568 | 319 |
| Westhaven | | | | | | | | |
| Square feet | 65,077 | 65,077 | 65,077 | 64,671 | 64,671 | 64,671 | 64,671 | 64,667 |
| Capacity (Students) | 670 | 670 | 620 | 797 | 620 | 620 | 620 | 620 |
| Enrollment | 538 | 610 | 598 | 646 | 547 | 545 | 510 | 484 |
| Port Norfolk | | | | | | | | |
| Square feet | 28,700 | 28,700 | 28,700 | 28,700 | 28,700 | 28,700 | 28,700 | 28,700 |
| Capacity (Students) | 0 | 0 | 273 | 273 | 273 | 273 | 273 | 273 |
| Enrollment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 250 |
| Clarke Academy | | | | | | | | |
| Square feet | 108,200 | 108,200 | 108,200 | 108,200 | 108,200 | 108,200 | 108,200 | 108,200 |
| Capacity (Students) | 0 | 0 | 1,030 | 1,030 | 1,030 | 1,030 | 1,030 | 1,030 |
| Enrollment | 0 | 0 | 0 | 498 | 517 | 516 | 509 | 523 |
| Middle Schools: | | | | | | | | |
| Churchland | | | | | | | | |
| Square feet | 136,937 | 136,937 | 136,937 | 136,937 | 136,937 | 136,937 | 136,937 | 136,937 |
| Capacity (Students) | 1,141 | 1,141 | 1,141 | 1,141 | 1,141 | 1,141 | 1,141 | 1,141 |
| Enrollment | 949 | 889 | 888 | 967 | 1,136 | 1,095 | 1,195 | 1,105 |
| Cradock | | | | | | | | |
| Square feet | 106,220 | 106,220 | 106,220 | 103,420 | 103,420 | 103,420 | 103,420 | 103,420 |
| Capacity (Students) | 885 | 885 | 885 | 885 | 885 | 885 | 885 | 885 |
| Enrollment | 521 | 590 | 584 | 719 | 663 | 581 | 624 | 706 |
| William E. Waters | | | | | | | | |
| Square feet | 104,601 | 104,601 | 104,601 | 104,601 | 104,601 | 104,601 | 104,601 | 104,601 |
| Capacity (Students) | 872 | 872 | 872 | 872 | 872 | 872 | 872 | 872 |
| Enrollment | 582 | 552 | 562 | 664 | 719 | 739 | 777 | 832 |
| Hunt/Mapp | | | | | | | | |
| Square feet | 235,946 | 235,946 | 235,946 | 235,946 | 235,946 | 235,946 | 235,946 | 235,946 |
| Capacity (Students) | 0 | 0 | 0 | 0 | 1,966 | 1,966 | 1,966 | 1,966 |
| Enrollment | 0 | 0 | 0 | 0 | 1,097 | 1,172 | 1,159 | 1,117 |

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 12

SCHOOL BUILDING INFORMATION (unaudited)
LAST EIGHT FISCAL YEARS

| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| High Schools: | | | | | | | | |
| Churchland | | | | | | | | |
| Square feet | 262,000 | 262,000 | 262,000 | 262,152 | 262,152 | 262,152 | 262,152 | 262,152 |
| Capacity (Students) | 1,871 | 1,871 | 1,871 | 1,871 | 1,871 | 1,871 | 1,871 | 1,871 |
| Enrollment | 1,546 | 1,562 | 1,639 | 1,859 | 1,745 | 1,813 | 1,721 | 1,553 |
| I. C. Norcom | | | | | | | | |
| Square feet | 280,812 | 280,812 | 280,812 | 280,000 | 280,000 | 280,000 | 280,000 | 280,000 |
| Capacity (Students) | 2,006 | 2,006 | 2,006 | 2,006 | 2,006 | 2,006 | 2,006 | 2,006 |
| Enrollment | 1,271 | 1,300 | 1,402 | 1,319 | 1,221 | 1,321 | 1,267 | 1,237 |
| Woodrow Wilson | | | | | | | | |
| Square feet | 261,665 | 261,665 | 261,665 | 261,655 | 261,655 | 261,655 | 261,655 | 261,655 |
| Capacity (Students) | 1,869 | 1,869 | 1,869 | 1,869 | 1,869 | 1,869 | 1,869 | 1,869 |
| Enrollment | 1,129 | 1,120 | 1,150 | 1,332 | 1,286 | 1,311 | 1,219 | 1,268 |
| Enrollment - Excel Campus | 100 | 113 | 101 | 80 | 141 | 140 | 128 | 178 |
| Centers: | | | | | | | | |
| Emily Spong | | | | | | | | |
| Square feet | 30,206 | 30,206 | 30,206 | 30,206 | 30,206 | 30,206 | 30,206 | 30,206 |
| Capacity (Students) | 288 | 288 | 288 | 288 | 288 | 288 | 288 | 288 |
| Enrollment | 263 | 236 | 182 | 179 | 186 | 189 | 207 | 218 |
| Mt. Hermon | | | | | | | | |
| Square feet | 47,349 | 47,349 | 47,349 | 47,349 | 47,349 | 47,349 | 47,349 | 47,349 |
| Capacity (Students) | 451 | 451 | 451 | 451 | 451 | 451 | 451 | 451 |
| Enrollment | 248 | 272 | 260 | 252 | 244 | 171 | 189 | 202 |
| DAC Preschool | | | | | | | | |
| Square feet | 31,500 | 31,500 | 31,500 | 31,500 | 31,500 | 31,500 | 31,500 | 31,500 |
| Enrollment | 90 | 76 | 101 | 115 | 119 | 96 | 77 | 99 |

Source: SASI student information database

Portsmouth Public Schools - Operations Division

Note: PPS converted financial records to GASB34 format in 2002. To be consistent with GASB34 conversion year, all non-financial tables are presented from 2002.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 13

OPERATING STATISTICS (unaudited)
LAST EIGHT FISCAL YEARS

| Year | Expenditures | Enrollment | Cost per Pupil | Percentage Change | Teaching Staff | Pupil/Teacher Ratio |
|------|----------------|------------|----------------|-------------------|----------------|---------------------|
| 2009 | \$ 169,537,657 | 14,331 | \$ 11,830 | 3.74% | 1,144 | 12.53 |
| 2008 | 162,921,752 | 14,287 | 11,403 | 7.40% | 1,094 | 13.06 |
| 2007 | 159,162,386 | 14,990 | 10,618 | 12.23% | 1,131 | 13.25 |
| 2006 | 144,216,707 | 15,243 | 9,461 | 6.00% | 1,149 | 13.27 |
| 2005 | 136,647,163 | 15,309 | 8,926 | 8.56% | 1,165 | 13.14 |
| 2004 | 128,606,981 | 15,642 | 8,222 | 7.58% | 1,142 | 13.70 |
| 2003 | 121,734,640 | 15,928 | 7,643 | 2.96% | 1,143 | 13.94 |
| 2002 | 120,408,689 | 16,221 | 7,423 | * | 1,193 | 13.60 |

* Information not available at this time

Note: Expenditures only include General and Special Revenue Funds.

PPS converted financial records to GASB34 format in 2002. To be consistent with GASB34 conversion year, all non-financial tables are presented from 2002.

Source: Portsmouth Public Schools - Human Resource and Finance Departments

COMPLIANCE SECTION



***Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With Government Auditing Standards***

Members of the School Board
City of Portsmouth, Virginia School Board

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Portsmouth, Virginia School Board (the School Board), a component unit of the City of Portsmouth, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the School Board's basic financial statements and have issued our report thereon dated November 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weakness. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and management response to be a significant deficiency in internal control over financial reporting: 2009-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the significant deficiency described above, item 2009-1, to be a material weakness in internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Board's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and management response as item 2009-2.

We noted other matters that we have reported to management of the School Board in a separate letter dated November 17, 2009.

The School Board's response to the findings identified in our audit is described in the accompanying schedule of findings and management response. We did not audit the School Board's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Board, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekant & Holland, L.L.P.

Virginia Beach, Virginia
November 17, 2009

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD

Schedule of Findings and Management Response
Year Ended June 30, 2009

Finding 2009-1

Criteria

Generally accepted accounting principles require that receivables be reviewed for collectability and a provision be made for uncollectible amounts.

Condition

The year end closing process did not identify all uncollectible amounts.

Cause

The School Board has made staffing changes and has been correcting the controls and accounting over accounts receivable.

Effect

Accounts receivable without an adequate provision for uncollectible amounts results in an overstatement of assets and revenues in the financial statements.

Recommendation

We recommend the School Board periodically review the schedule of accounts receivable, make all collection efforts, and make provision for uncollectible amounts.

Management Response

The School Board will provide for doubtful accounts. We will make all collection efforts for continuing grants i.e. authorized transfer to the new grant year. Eligible expenditures will be moved to the new grant year reducing uncollectible amounts. There will be a one time transfers of funds as a recovery of accounts receivable.

The School Board will periodically analyze estimated revenues and actual expenditures in subsequent years. We will also use Munis functionality of budget checks for one time and continuing grants.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD

Schedule of Findings and Management Response
Year Ended June 30, 2009

Finding 2009-2

Criteria

The codes of the Commonwealth of Virginia and the City of Portsmouth require that the School Board not expend amounts that are not appropriated.

Condition

For the year ended June 30, 2009, the School Board expended approximately \$2,400,000 of funds that were available to them but were in excess of their appropriation for the General Fund.

Cause

The School Board did not adequately budget for their miscellaneous revenue and did not request a supplemental appropriation when these revenues exceeded budgeted amounts.

Effect

The School Board is not in compliance with State and City codes.

Recommendation

We recommend the School Board implement a plan to more effectively budget their miscellaneous revenue, monitor compliance with the budget and request supplemental appropriations if necessary.

Management Response

The School Board will review the following:

1. VDOE final entitlements based on March ADM, and
2. Realized miscellaneous revenue by March 30

We will request additional appropriation from City Council when realized revenue exceeds budgeted revenue.